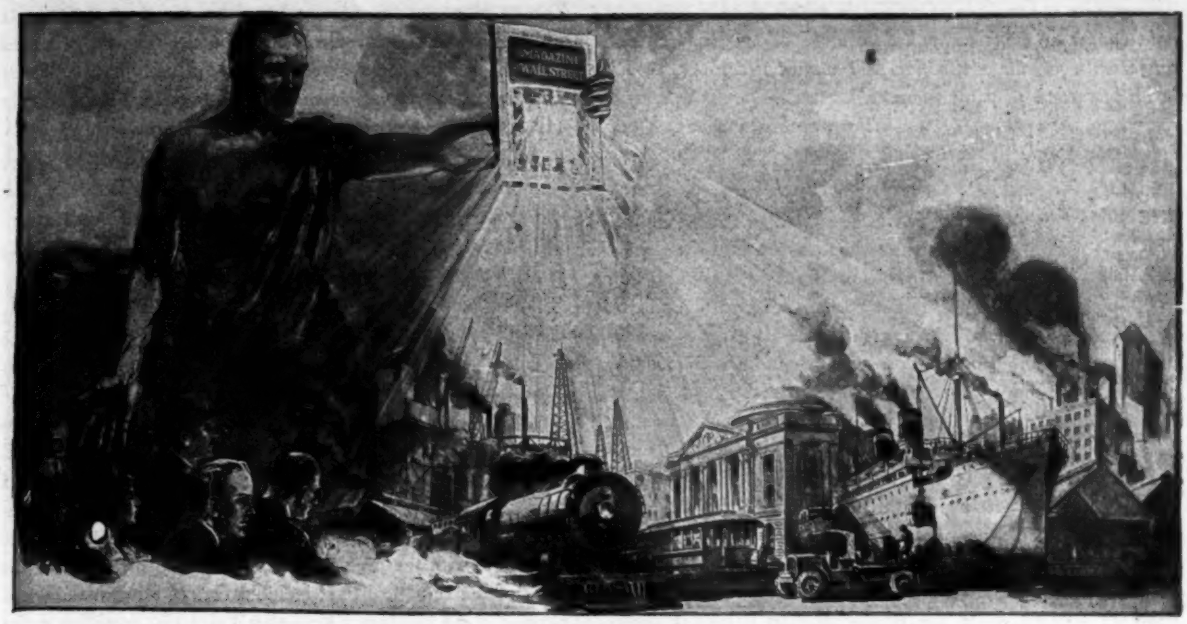


THE OUTLOOK

Spring Improvement—The Government As a Potential Borrower—French Finances and German Reparations—Foreign Trade Slumps—The Market Prospect

THE arrival of Spring has somewhat strengthened the general business tone. Merchandising is proceeding more smoothly than for some time, especially in those lines which depend to a large extent on Spring demand. In some parts of the country, collections have been better. On the whole, business conditions in the East and some parts of the Middle West and West are fair, with an improving tendency. In the South and Southwest, however, there has practically been no improvement owing to the unsettled cotton situation.

Progress has been made, but it is very slow and irregular. The basic industries like steel and coal still show the effects of general industrial disturbance. The railroads require careful nursing before they can be brought back to a more profitable basis of operation. Shipping activity is steadily declining. Some commodities are still in the process of deflation. These factors indicate that much has to be done before readjustment is completed and that the business recovery will be a slow and gradual affair.

* * *

BANK AND MARKET RATES

THE reduction of the Treasury bill rate by ½ of 1% in England has been followed by considerable discussion here as to whether we should or should not follow that course. While it is possible that the majority of qualified opinion in this country may veer to the viewpoint that we should duplicate England's performance in this regard, it may be seriously questioned that the bank rate at the present time is exercising the important influence on market rates that is generally ascribed to it. For many months there has been a close correspondence between call rates and rediscount rates but this is tc be viewed rather as the common outcome of a uniform set of factors than as being a situation in which market rates for money are affected directly by changes in rediscount rates. The truth is rather that with demand for capital and funds as strong as it is now, any accumulation or surplus of lending power is promptly absorbed, market rates essentially being the outcome of the interplay of factors of demand and supply. Insofar as its direct influence on call and other market rates is concerned, the power of rediscount rates in effecting changes has probably been a good deal exaggerated. It therefore appears that in the event we follow England's course, this would not necessarily be followed by a prompt reduction in call rates. *An immediate change in the money situation from this viewpoint consequently is unlikely.*

* * *

INCOME TAX YIELD

PRELIMINARY estimates indicate that the yield of the income and excess profits taxes, paid last March 15, will amount to about $600,000,000, as compared with over $900,000,000 a year ago. On this basis, the whole year's return would amount to about $2,400,000,000, as against $3,800,000,000 last year. This loss in revenues, obviously, can only be made up through equivalent economies in Government operation. It is not believed even in the most optimistic circles that the Government can effect a savings of more than $1,000,000,000, comparing with the $1,400,000,000 which will be lost as a result of the decline in income and excess profits tax returns for the year. This means that the Treasury Department for the current year will be obliged to depend considerably more heavily on the banks than in the past. It is an element to be taken in consideration with regard to the probable course of money rates.

Looked at from any standpoint, *the Government is clearly*

running into a condition of affairs in which there is considerable danger of being compelled to make added financing arrangements. Such a situation will almost necessarily affect in an important way the plans which are being formed with regard to the revision of the income and excess profits tax legislation during the forthcoming session of Congress.

* * *

THE FRANCO-GERMAN IMPASSE

THE reflex effects of the German indemnity situation are already seen in the unfavorable condition of the Paris Exchange market and in the prevailing sentiment there that unless France can obtain an early and substantial cash fund from some source, a condition amounting almost to suspension of payment must be recognized. This serious state of things emphasizes the necessity of an early adjustment of Franco-German financial relations and it has been suggested that in these circumstances the United States be called upon to act as mediator. The service thus indicated is one which would undoubtedly be productive of little satisfaction on either side and which this country could scarcely perform to advantage under existing conditions. Our own financial relationship to the whole situation is as yet undetermined, although it is to be hoped that the forthcoming visits of British and French envoys who have been directed to proceed to Washington for the purpose of discussing the whole situation with President Harding, may result in straightening out the relation of the United States to the European situation, and may thus incidentally bring about better financial relations than those which now exist as a result of tentative indemnity negotiations. This, however, is an outlook which would seem to defer for an unduly long period the adjustment between the Allies and Germany which is so urgently needed. *It is a situation which leads to great caution and it is most decidedly the great factor hindering world-wide readjustment. Until this important question is solved there is little real hope of international security.*

* * *

FOREIGN TRADE

FEBRUARY figures throw considerable light on the way in which the United States trade balance is affected by the recent course of world business. A decline of about $167,000,000 is indicated in our exports over the preceding month. Most of this decline took place with regard to exports to Europe. It is obvious that the continued unsettlement of affairs abroad, involving as it does the purchasing power of the Continent, could not help but result in the present situation. This situation has many ramifications, affecting nearly every branch of American industry. Copper and cotton are two conspicuous sufferers and the extreme low prices at which these commodities are now selling is practically directly attributable to the unsettling developments in Europe. Some of our manufacturing activities such as steel also depend considerably on export demand and in these instances the threatening slump in foreign purchases is likely to result unfavorably.

Imports held up rather better than exports but this more on the surface than otherwise. Thus while the total volume of imports from the world at large was about the same in February as in January, imports from Europe show continuation of the downward trend. In this respect, it may be well to ask how Europe is ever going to pay her debts to us, at the rate at which her sales to us are declining. Incidentally, the proposed tariff measures do not appear likely to remedy matters either with regard to Europe or with regard to us. They certainly will have little effect on the present situation.

In a general way, our creditor position is changing, albeit very slowly. Our balance of trade is beginning to decline, and probably will decline until Europe is placed in a position whereby she can purchase in full volume the commodities which we have and which she needs.

* * *

TARIFF DUTIES AND TAXES

PRESIDENT HARDING on March 22 issued his proclamation summoning Congress for a special session to begin on April 11. The proclamation, as is customary, makes no specific mention of the subjects to be dealt with at the new session but merely indicates the date and conditions of the meeting. Unofficially, however, the administration has allowed to become known at approximately the same time with the proclamation a projected program for the work of the session. That includes first of all discussion and passage of the Fordney Emergency Tariff Bill providing duties on agricultural products, this to be followed by a measure providing for the establishment of valuations of imported goods on a basis to be ascertained on this side of the water, while the Anti-Dumping Bill designed to prevent sales of foreign goods at unduly low figures in this country will be next in order. These measures, it is supposed, will be succeeded by a permanent tariff measure to take the place of the Underwood Act now on the statute books. While these bills are being dealt with it is understood that the Senate Finance Committee will undertake hearings relative to the revision of the income and excess profits tax in order that a plan for the amendment of the tax laws may be available at as early a date as possible. It is uncertain what the attitude of the Government toward these questions will be. The sales tax, which has been widely favored by business men, has undoubtedly received much support, but there would appear to be an increasing body of opinion favorable to the maintenance of some scheme of taxation analogous to that now in force, although probably with present abuses corrected. The problem in the situation is to find a form of taxation which would be as productive as that now on the statute books but which at the same time would be less annoying and troublesome.

* * *

MARKET PROSPECT

THE majority of the above factors have a bearish influence and the action of the market early this week is an indication that these conditions are being reflected in the prices of securities.

The recent rise was not due to any improvement in the basic industries, but to great pool activity and an attempt to make a large garment out of a small piece of cloth.

Conditions at the moment do not appear to be favorable for any harmonious action toward higher prices. On the other hand, there are a number of influences which seem to be having a detrimental effect upon the prices of leading securities.

Considering the great uncertainties in the foreign situation, it is a time for caution. Tuesday, March 29, 1921.

Legislation That Will Help Business

What the New Administration Can Do to Restore Country's Economic Balance—Our Foreign Relations—Income Tax Fallacies

By **HENRY W. TAFT**

THERE is a good deal of loose talk and loose thinking about the work of Congress. But when one who is not in the public service attempts to deal with the general legislative outlook he finds that he knows much less about it than members of Congress who are engaged in the business of gathering information as a basis for legislation. This was recently brought home to me by Senator Calder's very instructive speech at the Republican Club, based on evidence given before the Reconstruction Committee of the Senate, which is considering how we are to get back to the normal in our economic, industrial and political life.

It is evident that the thing that is of great importance is to bring us back to a normal condition in the administration of the important departments. War activities have built up a complicated bureaucratic organization seldom equaled in the history of governments. Whether or not our friends, the Democrats, are entirely responsible for this, it is to be hoped that the infusion of a few competent Republicans who will clean house in the War Risk, the Income Tax, the Alien Property and other bureaus employing thousands of men, will turn the tide towards a simpler and more satisfactory condition of administration.

Much is expected of the Republicans, however, and they will have to be careful or they will cause disappointment. This can be avoided if they select the best men for office. That is not always easy. Sometimes the appointing power has difficulties that we little appreciate. I remember when a member of my family was the dispenser of Presidential patronage, he was solicited to appoint an inexperienced and not very competent man to an important office. But he objected "that office requires a big man," to which the applicant responded, "But if you give the office to me I will be a big man."

The Most Important Legislation

The most important legislation of this Administration will be that which relates to our various forms of taxation.

Photo Brown Bros.

HENRY W. TAFT

MR. TAFT is particularly well equipped to speak interestingly to the readers of The Magazine of Wall Street, for he is an economist as well as a lawyer and has always given freely of his time and energies to movements looking to the improvement of society and the upbuilding of sound business and finance. Mr. Taft never has sought public office, although he was appointed special assistant to the Attorney-General of the United States in the prosecution of the Tobacco Trust. He is a trustee of the Mutual Life Insurance Company and member of the American Bar Association.

The Excess Profits tax, which was strictly a war measure, is now proving a serious burden upon our industrial activity. It is checking enterprise and retarding our return to normal prosperity.

The Income Tax Law must be simplified so that the citizen may not have to employ a high-priced lawyer or an expert accountant to prepare his return.

The surtaxes under the Income Tax Law are proving so excessive that they are defeating their own purposes. The wealthy are investing more and more in non-taxable securities. They find it more advantageous to take the low rates of interest such securities pay and they withdraw their capital from productive enterprises in order to avoid contributing to the Government the larger part of their income in surtaxes. They have the lawful right to do this, but the result is that the revenue of the Government falls below the amount predicted by the experts of the Treasury Department, while our industrial enterprises lose the support of enormous amounts of capital. Within a few years issues of non-taxable securities have increased from 3 billion to 14 billion dollars, being in great part state and municipal bonds. Aside from the loss to the Federal Government by investment in such securities, the ready market which has been created for them has led to considerable extravagance on the part of states and municipalities which have found little difficulty through their sale in finding funds to finance public improvements which under more normal conditions they would have done without.

We must collect a larger proportion of our income at the custom houses. The time-honored Republican principle of protection must be preserved. But it must not be applied by raising rates so as to exclude all foreign manufactures. The bankrupt nations of Europe must be given an opportunity by trading with us to get

money to buy the goods we export and to rebuild their industries, so that they can repay the enormous debts they owe us. To arrive at a workable plan requires expert advice and perhaps the teachings of painful experience. But it is a comfort to good Republicans to know that the whole problem is in the hands of friends of the protective principle and that our industries will receive such protection as is consistent with the maintenance of a profitable foreign trade.

An enormous income is necessary to meet the after-war expenses. Only gradually will these decrease. But methods of taxation must be found to produce the needed revenue without unduly oppressing the citizen. If a system of taxation could be devised which would also restrain extravagance, it would not only check a demoralizing tendency but secure needed revenue. A tax on expenditure might accomplish this.

Lesson in Thrift Needed.

We need a lesson of thrift. We issued nearly twenty-five billion of securities during the war, and increased our national debt twenty-five fold. Nearly the entire proceeds of these securities were expended for war purposes. Ninety per cent of what was purchased was ultimately wasted; for it could not be used in time of peace. Many people in all walks and conditions of life were suddenly enriched during the war. They have set an example for many others and we have been led into a carnival of reckless expenditure. Mr. Lewis, Director of the Savings Department of the United States Treasury, has said that we now spend twenty-two billion dollars annually for luxuries. If one half of this amount were paid over to the Government we could pay our national debt in two years. Over three billion dollars are expended for candy, jewelry, cigarettes and cosmetics, more than five times the cost of maintaining our schools throughout the country. This is but an instance showing a single source from which revenue might be obtained without increasing the cost of the necessities of life.

It is not easy to produce thrift by legislation. But, so far as laws can be devised having that tendency, they should be passed. In the meantime, it is the part of every good citizen to discourage profligate expenditure. If the wave of extravagance which has swept over us is not checked the contraction which must follow inflation as surely as the night follows the day, will bring economic and financial disaster.

Some kind of a sales tax will probably be advisable with high rates on luxuries. Such a tax would come out of the consumer, but it is fair, its moral effect is good and it is estimated that it will produce a substantial income.

Government expenditure must be reduced. A national budget system was devised by the Republicans in the last Congress but President Wilson saw fit for reasons which seem to me wholly inadequate, to veto the bill. It will undoubtedly be passed by the next Republican Congress and will put our system of national expenditure on a scientific basis.

Anti-Trust Legislation

The Anti-Trust Law needs careful reexamination to discover how far its rigor can be relaxed. Co-operative arrangements which do not tend to monopoly ought to be permitted. One of the greatest of the public services of Theodore Roosevelt was the enforcement in his administration of the law against the trusts which tended to create monopolies. He succeeded not only in terminating the violations of the law, which had been treated with contempt by some of the great vested interests, but in his crusade against illegal big business he succeeded in elevating the moral standards in corporate management. A statesman who not only enforces a law which has for years been successfully defied by powerful interests, but also, in the process, compels the adoption of higher ideals in business management exhibits qualities of true greatness. But now the very success of Mr. Roosevelt's crusade makes it less necessary to prohibit co-operation among rivals in business. Already the prohibition against combinations has been removed in commerce with foreign countries, while the Transportation Law contemplates co-operation between parallel lines of railroads. Probably to a considerable extent, and without harm to the public, similar modifications may be made in relation to our big industries under suitable governmental regulation.

The Immigration Problem

Not the least important of the laws which are needed is that governing immigration. Our national interests demand that this country should not be flooded by the ignorant residents of Southern Europe and the Near East, who are seeking to improve their fortunes and escape the hardships imposed upon them at home by the war. We have now three million unemployed in this country. This number ought not to be increased by a great number of immigrants.

Furthermore, we must have regard for the assimilation of aliens who do secure entrance to this country. The question has become so vitally important that it ought to be treated scientifically. How many immigrants can be assimilated and become fitted to be American citizens is a subject for expert calculation.

It has been proposed that from each foreign country there should be admitted a limited percentage of those of their own nationality who already reside here. This plan provides for the gradual absorption into our body politic of aliens according to our ability to provide for them and to assimilate them. Aliens who are admitted ought to be encouraged, if not to some extent coerced, to become American citizens. They should not be permitted to use this country merely as a means of gaining a livelihood without performing the duties of citizenship when they become fitted to do so.

Proposed legislation makes provision for the distribution of aliens throughout the country so that they may be sent to those localities where there is need for their services and where they can support themselves. Another important clause was contained in the proposed law, in accordance with the recommendation of the Republican platform, that unnaturalized aliens should be required to be registered and to report periodically to the authorities. While temporary measures for the exclusion of immigrants may be necessary, the Republican party ought and probably will place this important and troublesome question upon a permanent and scientific basis. There is nothing more important to the laboring classes.

Our Relations with Germany

Finally, we should have our relations with Germany speedily settled so that a condition of peace may be restored and the fetters removed from our trade relations. War measures which have long since ceased to be of practical importance should be repealed. The question of the return of seized property should be settled.

Our relations with foreign countries should be fixed by some kind of an association so that this nation, the most altruistic and idealistic nation on earth, may perform the noble function of aiding in the rehabilitation of the European nations staggering to their feet after the world contest. This has now become largely a matter of method and form. The late election made it clear that Article X, the most objectionable provision in the Covenant of the League of Nations, has been, to use a marine term, "jettisoned." But the American people have always approved of the idea embodied in Article VIII for a reduction of armament, in the provisions of Articles XII, XIII and XV, for the mediation and arbitration of international disputes, with the suspension of war while proceedings for amicable adjustment are pending, in the world court provided for under Article XIV, and in the provision prohibiting secret treaties.

The American people are, no doubt, willing, as they have always been willing, to agree upon these Articles. Their provisions, coupled with the opportunity afforded for meeting and conferring with foreign nations, are practically all of real substance there is to the League. There is, therefore, no reason why the Republican party should not favor and carry into effect the idea of an association of nations which should be based upon some kind of a document by which the provisions I have referred to should impose a binding and a legal obligation.

Great Task Ahead

We have before us a great task of construction. We cannot accomplish everything by legislation. Conditions exist upon which economic laws, not controlled by men or nations, must work. But bad legislation can retard reconstruction. And while good legislation alone cannot restore pre-war conditions, it can lay the foundation for a return to the normal. Expectations must not be too sanguine. Boastfulness as to results will only cause disappointment if accomplishment fails. The task of the Republicans is a very heavy one. But optimism ought to be our watchword.

This land has eighteen million of houses occupied by twenty-one million families. Nine million families own their own homes. Twelve million people have savings bank deposits of six billion, five hundred million dollars. Six million five hundred thousand farms have an aggregate value of forty-one billion dollars and

(Continued on page 790)

The Brighter Side of Readjustment

Many Beneficial Effects Forced Retrenchment Will Have on Business — Lessons Learned—Revival of the "Pioneer Spirit"

By ARCHER WALL DOUGLAS

Chairman, Committee on Statistics, U. S. Chamber of Commerce

IT is the unchanging story of human experience that we learn enduring lessons only through stress and trial, through mistakes and ill fortune. Prosperity is a pleasant matter, but most demoralizing when in excess or long continued. That is why the prayer in the Litany for deliverance, "in all time of our tribulation," is accompanied with, "and in all time of our prosperity."

The remarkable, but very human, feature of our present plight is that we knew, but did not realize what inevitably was coming, and consequently were as utterly unprepared for it as were the scoffers in the days of Noah's flood. Now that we are so deeply involved in the welter of demoralization, bequeathed us by the war and our subsequent riotous living, the immediate and pressing problem is, what is the way out? While a moderate dose of adversity is the best known corrective of a disordered disposition, too much of it is destructive and rank poison. As witness Europe's tragic plight today.

Denouncing things in general has always been a popular performance with public speakers and would-be prophets since the days of Cassandra and Jeremiah. It may make an impressive spectacle at first, but it is entirely futile, and gets us nowhere. It is one of the healthy signs of the prevalence of constructive thought today that the prophets of disaster are confined largely to a stray pulpit or an occasional economic essayist.

Country Has Learned Its Dependence on Europe

First of all, we are rapidly learning that we cannot live unto ourselves alone, some belated thinkers to the contrary notwithstanding. Just how we are going to get along without Europe as our very best foreign customer is not apparent to any one who realizes that there is no other country or collection of countries available to take Europe's place as the absorber of our surplus products. **If today Europe were in position to buy all things from us that she really and desperately needs, business in this country would be alive with activity instead of stagnating in the midst of incredible material wealth that cannot find a purchaser.** It is fast coming home to us that our future business salvation is bound up in the regeneration and rehabilitation of Europe.

After a passing and partial midsummer madness which found us believing that splendid isolation was our only recourse against entangling foreign alliances, we have come to ourselves with the new-born consciousness that we are almost the sole hope of a world that still hangs upon the brink of an unfathomable abyss of bankruptcy and utter demoralization.

Getting Back to Efficiency

Because—most unfortunately—there are more men than jobs, we are getting back to that efficiency which we lost when there were more jobs than men. It means much more than just economy and business efficiency, for it is a return to the elemental proposition of a man liking his job because he finds in it not only a living, but a liberal education. The other extreme, sabotage, is simply treachery and deceit. When the sense of duty and obligation weakened, as it did during the war, because losing one's job was a small matter, then we were at the beginning of the end of our industrial supremacy, which had taken a century to create.

FEW men have had as good opportunities to follow the course of business readjustment as the writer of the accompanying review. The U. S. Chamber of Commerce represents practically all of our important business organizations; and Mr. Douglas, as chairman of its Committee on Statistics, is in constant touch with the broad trend of industry and finance.

Disillusioned as to Socialism

We are thoroughly disillusioned today as to the promise of Socialism to create a new Heaven and Earth in industrial life. In the hour of trial, public control of national industries was a broken reed to lean upon, and we went back, probably for good, to the elemental American conviction that individual initiative and enterprise are the surest methods of giving efficient, economical service. Nevertheless, because of the war, there are, more than ever before, numerous experiments whereby the employee shall have some voice in the business, and feel that he is a part of the show. Such experimenters, however, have no delusions concerning themselves, and probably the best chance for their success is that they frankly seek to democratize the conduct of business on practical lines, not forgetting meanwhile to take human nature into account.

Approval of Class Privilege Withdrawn

One of the lessons we drew from the war is that class privileges and class distinctions have no longer any place among us. When Congress took this stand on more than one occasion, we may be sure that they did so with the full conviction that the country stood behind them. This same spirit received vivid illustration when one man in Kansas and another man in Massachusetts proclaimed the ALL AMERICAN doctrine that the welfare of the country was superior to class privileges or class grievances.

This policy is embodied in the creed of the National Chamber of Commerce that whatever is for the welfare of the country must necessarily be for the good of business. We are not yet out of the woods as regards the complete acceptance of this faith by all sorts and conditions of men, but we may be sure that public opinion is lined up solidly on the right side of this proposition.

During the past six years we have gained a new and clearer conception of the part that the farmer is destined to play in the general scheme of things. We realize, practically for the first time for most of us, that as a producer, he has but little to say as to the prices he obtains for his products, seeing that they are determined largely for him by a competition which is at once local, national, and world-wide. Among his problems must also be reckoned the scant control he has over those vital factors of distribution and marketing.

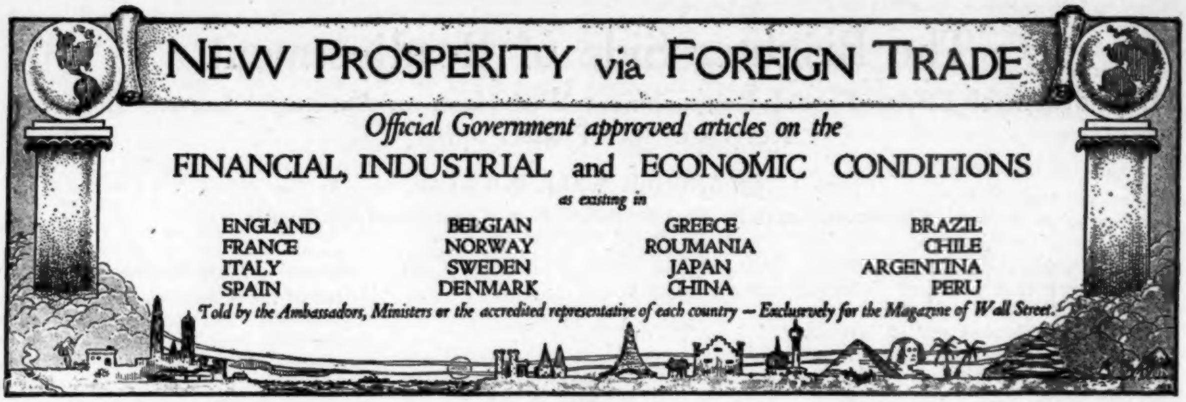
We know now that not only is he the provider of food and clothing, but that the curtailment of his purchasing power is the leading cause of the present widespread stagnation in commercial life. Naturally he seeks the solution of his troubles in co-operative associations, but we need never concern ourselves that, in the long run, they will operate other than along the lines of sober common sense and with an abiding realization of obligation and responsibility.

Need of Better Education

We have learned likewise the desperate need of education, not only in social and political, but equally in business life. For there can be no such thing as efficiency and progression in the industrial world without education and intelligence. In the coming competition for the world's business, which lies dead ahead, it will be brains which will win rather than mere prices.

Among the lessons learned must also be reckoned the spirit of mutuality in commercial life, as is evidenced by those innumerable associations whose members imbibe much from each other,

(Continued on page 753)



Brazil

Factors Contributing to Her Trade Crisis—Country's Economic Standing—Future Commercial Relations with America

By **J. DE SOUSA LEÃO**

Secretary of the Brazilian Embassy

CONSIDERING it is a matter worthy of note, I am drawing a brief exposition of the financial situation in Brazil, its economic possibilities, its resources and industries, its opportunities for trade development, as well as the methods followed in its commercial life.

> ***"TAKING Brazil as a whole, no great country in the world owned by a European race possesses so large a proportion of land available for the support of human life and productive industry. In the United States there are deserts and of the gigantic Russian Empire much is desert, and much is frozen waste. But on the Portuguese of Brazil, nature has bestowed nothing for which man cannot find a use. Not even the great North American republic has a territory at once so vast and so productive."***
>
> ***James Bryce, formerly British Ambassador in the United States.***

The object of this article, besides that of bringing out facts not generally known as to the financial potentialities of Brazil, is to stimulate greater interest on the part of American business men and capitalists in the opportunities offered by this country.

Brazil, which is larger than the United States, having an area equivalent to half of South America, and which is populated by nearly 31 millions of people, offers an immense and varied field for enterprise and is steadily becoming an economic reality of ever greater importance in world competition.

Brazil's Financial Crisis

Before going deeply into the progress of the country, it seems opportune to analyze the present financial crisis which clouds Brazil's horizon. Although of a serious character, depressing to its money market and credit, this crisis is no more than a temporary symptom hardly conceivable in a land of so marvellous and practically untouched natural resources. This crisis is but another manifestation of the world's distorted economic situation. It was brought about by the following factors: An excessive increase in paper money currency of 1,800,000 contos (1 conto being equivalent to about $250) of which only 200,000 contos had metallic guaranty; a very small favorable foreign trade balance as compared with that of 1919, which was a record year for the foreign trade of Brazil. In that year there was an excess of exports over imports amounting to 844,460 contos or about $220,000,000.

Comparing the balance of the first nine months of the two last years, as the 1920 statistics so far only include that period, we have:

1919 Excess exports 632,304 contos or $160,000,000.

1920 Excess exports 6,930 contos or $1,750,000.

The large profits of 1919 stimulated purchases for the year 1920, and imports increased, causing a fall in the exchange, which was accentuated by the fact that the greater part of the 1919 trade balance had been employed in the payment of foreign loans, or else for the annulling of Government contracts with railroad and other companies which caused heavy financial drains on the Federal Treasury.

The considerable increase of imports was due to the necessity of replacing depleted stocks of merchandise and restoring the railroad and industrial outfits that had not been renewed during the war. It coincided with a decline in the value of Brazilian exported products, which was in turn aggravated by the credit difficulties of the consuming countries.

The fall of the "milreis" is due more than anything else to this too rapid rise of merchandise purchases. The country, enthusiastic with the enormous expansion of its exports, which resulted from worldwide price increases and a favorable exchange rate, began to buy hastily just when its exports were beginning to decline and goods to sell more cheaply.

At the same time the country had been under the necessity of allowing for disbursements for which purpose large funds had to be reserved. Hence the unsteadiness and the reaction of the exchange.

Such was the abuse of credit facilities and of the high exchange that we shall only be able to overcome the situation, either by a sweeping reduction in purchases or else by a foreign loan which will free the Federal Government from the necessity of buying gold on its own market.

> ***"I HAVE traveled all over the West, South and Southwest of the States; I have been to the plains and plateaus of Canada; of Rhodesia; seen the Darling Downs of Queensland, Australia, the rich fields of New Zealand, and the wondrous vegetation of India, but never anything to compare with the richness of verdure and harvest of the slopes, the hills and valleys of Brazil. They scratch the surface of the steep slopes and grow one crop on the one side of the hill—the side warmed by the morning sun—and another crop on the opposite side, where the heat of the sun's afternoon rays is not so great. The railroads cannot adequately handle the crops and new railroad projects only await easier money markets to tap the ever-increasing centers of cultivation."***
>
> ***Allen Walker, Manager, International Trade Department of the Guaranty Trust Company of New York.***

What Brazil Needs

Brazil needs, for the exploitation of its resources, the help of foreign capital, for which of course it will have to pay interest. Only by a considerable excess in the value of its exported products over

the value of its imported merchandise or by a foreign loan, can the country obtain the necessary funds for the discharge of its obligations, public and private, obligations that are estimated at about £20,000,000 every year. If such an excess fails, as it does now, Brazil will have to buy gold with its depreciated and non-guaranteed paper money, provoking further a lowering of the exchange that might prove unsolvable if, in compensation, the country does not collect a greater customs-house revenue through increased imports.

This situation, naturally, has not been left to solve itself. The Government has already been active in a search for its remedy. Congress voted some time ago a project called "Emission, or support and protection of the national production." In this bill, it was sought to provide a guarantee fund for the paper money, which increased during the war about 1,000,000 contos ($250,000,000) and 400,000 contos ($100,000,000) of internal bonds, which was not entirely unreasonable for those abnormal times, if compared to the emission of other countries at war. The existing guarantee fund was increased, under the bill, by the following contributions:—All the gold that the Government buys from the mines (law of 1918); half the excess of the gold revenue over the gold expenditures; all extraordinary revenue in gold, and 20 per cent of the profits of the Re-discount fund of the "Banco do Brasil."

The Government was authorized to issue up to 100,000 contos ($25,000,000) for the Re-discount fund and for the support and protection of the national production. This emission will be based on the gold bonds that the Government might have and on those that it will receive as guarantee for the payment of the agreement made with Italy and Belgium, of $25,000,000 each.

In this way the Government can start capital circulating in the market to facilitate business and protect our production.

After balancing the budget by reducing expenditures, increasing the favorable trade balance by cancelling purchases and restricting imports, and using the benefits of the new Re-discount fund, we shall be in a better position to go safely through this difficult period in our economic life.

Photos by Brown Bros.

AVENUE RIO BRANCO, RIO DE JANEIRO

This is the seaport for a large area of the richest, most productive and most thickly settled parts of Brazil. Its exports include coffee, sugar, hides, cabinet woods, tobacco and a variety of sundry products.

Brazil Constantly Producing More

The country is working and producing. Its rate of production is constantly increasing as evidenced by the tonnage exported in the first nine months of 1920. Only the value of this tonnage has declined, which is a universal phenomenon and not peculiar to Brazil. The figures follow:

EXPORTS

1st 9 months	Tons	Value in £
1916	1,318,370	38,459,000
1917	1,462,376	44,617,000
1918	1,350,295	38,459,000
1919	1,418,784	94,050,000
1920	1,524,944	88,530,000

Our exports therefore show an increase in tonnage over each preceding year, and in value also, with the exception of 1920.

The trouble lies in the sudden increase of imports, as follows:—

IMPORTS

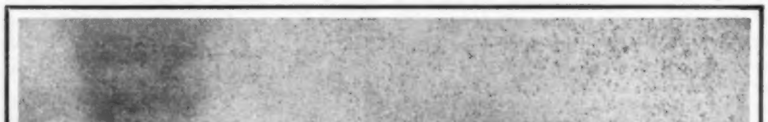
1st 9 months	Tons	Value in £
1916	1,933,527	28,329,000
1917	1,514,671	31,407,000
1918	1,341,695	38,019,000
1919	2,912,994	57,415,000
1920	2,361,453	87,766,000

Discouraging as these figures may appear, Brazil will emerge safely from its present situation providing only that she be given time enough to get back to normal and credits enough to meet the present situation. Any new country such as this, is bound to have its growth interrupted by occasional periods of depression. That we are in such a period now need only be a challenge to us to prevent it from growing worse.

Recent Economic Progress

Let us review briefly the economic progress of Brazil in recent years, examining first the figures on the internal revenue of the Federal Government. These figures are contained in Table I.

The internal and external debts of the Union and of the States which are responsible by virtue of a power given to them by the Constitution of contracting



A COFFEE PLANTATION NEAR SANTOS, BRAZIL

The development of coffee production in the state of Sao Paulo has made Santos the largest coffee shipping port in the world. Santos, which is situated on the Santos River, is favored with a deep water harbor and the largest vessels can tie up to its docks

loans in foreign countries, were, in 1919, in English money, the following:

External Federal Debt......	£116,169,571
Internal " "	60,803,785
External States Debts	61,201,540
Internal " "	27,170,709
Municipalities Debts........	11,229,573
	£276,575,178

[Editor's Note.—In the above table of Brazil's debt it will be noted that all the outstanding debt is figured in pounds sterling. As a matter of fact, the internal debt is not payable in pounds sterling but in paper milreis, which gives the table a much more favorable turn. The actual funded external debt of the Government of Brazil is £116,169,571 and the funded internal debt is 1,042,350,000 paper milreis. Normally, paper milreis have a value in U. S. currency of $0.32444, but at the present time they are worth about 15c. The currency of Brazil is government paper; that is, paper milreis. The gold milreis has a value in U. S. currency of about 55c. There are 1,000 milreis to a conto.]

From these figures should be deducted the amount of £5,224,695, total of the drafts bought by the Government in 1920 for the redemption of these bonds.

From these figures it is evident that for such a vast country as Brazil, the amount of the debt is justified by the necessity of organizing the economic machinery of a new country whose future is assured by resources capable of furnishing each year considerably more revenue.

TABLE I.—INTERNAL REVENUE
(In Milreis)

Year	Gold	Paper
1916	61,189:000$	331,517:000$
1920	119,452:900$	518,858:200$
1921 (est.)	90,452:000$	614,200:000$
EXPENDITURES.		
1916	88,834:000$	517,590:000$
1921	75,049:000$	711,827:000$

Analysis of Foreign Trade

We have seen already how the foreign trade of Brazil has increased and it only remains to analyze this progress chiefly in its relation with the United States. For the fiscal year ended in June, 1915, the imports from Brazil were less than $160,000,000 and the exports to Brazil were $60,000,000. By June, 1920 the imports were already more than $220,000,000 and the exports $160,000,000. No other country in South America has increased its trade in such proportions. In 1913 English products constituted 24.5% of our imports, while the American products only 15.7%, and so ranked third in the exporting countries of the world. In 1917 American products represented 47.3% and the English only 17.9%. In 1919 the United States stood 48% and the English 22%.

In 1919, the foreign trade of Brazil totaled one billion dollars, of which $350,000,000 was the amount of imports, which amount is twice that of the imports of 1915. In 1915 the buying capacity of the Brazilian people was five dollars per capita, and today this capacity has reached twelve dollars yearly, with the tendency still upward.

The tonnage of merchant vessels entering Brazilian ports, due to the influence of the submarine campaign during the war, was as follows:

1915	5,500,000 tons of which	447,000 American
1917	3,876,000 " " "	661,000 "
1919	5,003,000 " " "	1,154,000 "

These figures disclose the great increase in American shipping due to the efforts of the United States Shipping Board.

Two acts of great importance and wise administration were the commercial agreements recently signed between Brazil and the Governments of Italy and Belgium. These far-reaching acts of commercial diplomacy have opened to us the door for further development of commerce. By these agreements, Brazil opened to Italy and Belgium credits up to $25,000,000 to be used in the purchase of such products of ours as these nations might need. The exchange of these credits will be made by the "Banco do Brasil," by means of drafts maturing in 24 years; the product of each purchase made by either Italy or Belgium being converted into lire or francs and placed at the disposal of Brazil in the "Italian Bank of Discount" and the "National Belgian Bank." These funds to be placed at the disposal of Brazil, may be used for the purchase of Italian or Belgian merchandise. The loan will bear interest at 6%, payable twice a year. In this way Brazil acquires customers capable of prompt payment and secures markets for its products. The agreement with Italy cannot fail to direct Italian immigration which is most desirable to Brazil.

Desirable Immigration

Of the 3,577,365 immigrants entering Brazil during the hundred years from 1820 to 1919 (figures furnished by the "Population Service" of Brazil) the nation most largely represented has been Italy, with 1,378,876 persons. Next comes Portugal with 1,021,271; Spain, 507,387; Germany, 127,321; Russia, 105,225; Austria, 79,305; Turkey, Arabia and Assyria, 54,120; England, 18,798; Switzerland, 11,396; Sweden, 5,502, and different nationalities, 239,230. Within the last twelve years, 1908 to 1919, with the service under the direction of the "Population Service" immigration has been very much greater. The number of immigrants in this period was 1,015,873, representing 28.70% of the total for the hundred years.

TABLE II.—BRAZIL'S EXPORTS.

	1913	1919	1920
Coffee	$114,812,250 (1)	$265,844,750 (1)	$185,122,500 (1)
Skins and Hides	9,882,000 (3)	33,544,750 (2)	24,794,750 (2)
Rice	5,750	3,579,500	22,073,000 (3)
Sugar	241,500	6,921,000 (10)	19,473,000 (4)
Cotton	6,181,000 (5)	3,421,750	10,468,500 (5)
Meat	71,250	24,860,500 (3)	10,300,500 (6)
Cocoa	4,461,750 (7)	19,065,250 (5)	13,121,500 (7)
Rubber	33,928,750 (2)	22,985,500 (4)	12,988,750 (8)
Harve Mate	7,450,750 (4)	10,422,000 (7)	9,870,000 (9)
Tobacco	5,738,750	15,264,250 (6)	8,516,250 (10)
Fruits and Seeds for Oil	1,897,000 (9)	10,246,750 (8)	7,488,750
Lard	7,250	8,127,500 (9)	1,998,750
Carnaúba Wax	1,435,500 (8)	4,786,750	2,232,000
Native Gold	1,116,500 (10)	....	....
Other Products	4,577,250	29,655,500	47,079,500
	$191,317,250	$461,725,750	$375,049,750

From January to November 1920, 37,317 immigrants entered the port of Rio de Janeiro and 48,127 the port of Santos.

As for the much spoken of *Germanization* of South Brazil and its dangers it is evident from the figures given that German immigration is far from becoming troublesome. If the question has arisen, it is not because of the number of Germans, but is due to their concentration in the South. However, the Government has taken special measures to prevent this and to direct them to other regions.

It is not necessary to point out the significance of this steady growth of large numbers of immigrants of such a highly desirable class, mostly from Italy. In Brazil, where the majority of the population is illiterate, with a negligible knowledge of modern methods, these newcomers contribute toward raising the general standard throughout the country.

Agricultural Possibilities

Combining one of the largest tropical areas of the world with a huge interior plateau and with very fertile temperate areas in the States of the South, Brazil offers exceptional opportunities for the exploitation of the soil, its products and of its forest richness. Formerly the main resources were sugar in the North and cattle in the South. At present there is an abundant variety of products, with the result that agriculture has become Brazil's foremost industry.

The exigencies of the war, however, forced Brazil into many new industrial fields. It taught manufacturing; and caused other nations, cut off from their usual trade channels, to look to Brazil for supplies. New industries were quickly established and developed with remarkable dispatch.

Before 1913, Brazil did not export refrigerated meat. In 1917 she was the third largest exporter of this commodity. Half of the capital invested in the Brazilian packing houses came from the United States. The exportation of cereals, practically negligible before the war, has increased tremendously. The textile industry, comprising a large percentage of the total production of manufactured articles, also increased notably. In the State of Sao Paulo alone 50 cotton mills are in operation today and 36 woolen factories. The

(*Continued on page 793*)

Investment Features of Brazilian Bonds

Few American Issues to Choose From but Many Attractive Sterling Issues at Low Prices

By **THOMAS B. PRATT**

ALTHOUGH investors in the United States have recently been absorbing a considerable volume of Brazilian Government securities, it is surprising that this country has not taken a more active interest in the financial and commercial progress of that great country of South America. It is obvious that had the United States been more closely allied, financially and commercially, with the more important South American republics in the past, the present international trade conditions in the Western Hemisphere would be far more favorable.

Our ignorance in the past, however, as to the possibilities for commercial enterprise in South America need not retard our efforts at present and in the future to grasp the opportunity that is ours for the asking. And of all the countries in South America none offers greater possibilities for development than Brazil.

Here is a country that in area is larger than the United States, excluding Alaska. With a population of over 30,000,000, an increase of nearly 10,000,000 in the past ten years, Brazil contains wealth of nearly every description, practically all of which is either partly or wholly undeveloped. There are 27,000 miles of navigable waterways, including the greatest chain of rivers in the world. The Amazon, for example, drains an area greater than that drained by the Nile, Mississippi, Missouri and Danube combined. There are valleys containing the world's greatest forest areas, tablelands in vast stretches, which are both healthful and productive; and there are huge mineral deposits that as yet are practically untouched.

The Wealth of Brazil

The wealth of Brazil is estimated at fifteen billion dollars. The investment of foreign capital in government and private enterprises amounts to over one and a half billion dollars, and of this total the investors in the United States control only about $50,000,000. The figures showing investments by other nations, as compiled by Albert W. Kimber, author of Kimber's Record of Public Debts, are: Great Britain, $750,000,000; France, $500,000,000, and Belgium $150,000,000. Germany, Portugal, Canada and Italy are also investors in the future of Brazil, but no accurate estimates can be had of their totals.

With the investment of capital in Brazil, England, France and Belgium have gained much more than an annual return on their money. For the investments have carried with them large orders for materials, supplies, machinery and services, thus swelling the foreign trade of these countries. This has been business that the United States might well have had, but it is business that we will never get so long as we permit other countries to furnish the capital required by South America. Our foreign trade to South American countries is dependent in a large measure upon our willingness to finance such countries in their development projects.

Brazil is a progressive country. As a result of the outbreak of the war in 1914, she was cut off from her usual trade channels, and despite the fact that prior to that time she was strictly an agricultural nation and had made little progress in manufacuring, she quickly organized plants to produce some of the necessities she had previously obtained away from home. The spinning and weaving of cotton is now one of her principal industries.

The ability of Brazil to meet her foreign obligations is unquestionable. Her external funded debt is not large, amounting to only $46 per capita, an annual debt charge of only a little over $2.50 per capita. She has an excellent record insofar as meeting her foreign obligations promptly. In 1913, due to a sharp decline in the price of coffee, of which Brazil produces 50% of the world's supply, there was a serious decrease in government revenue. This made it necessary for Brazil to arrange some plan with bondholders which finally resulted in 1914 in the issuance of funding certificates in place of cash payments for interest on her bonds. Cash payments were resumed in 1917. At the same time the sinking funds for all her loans were suspended for thirteen years from August 1, 1914.

Due partly, no doubt, to the fact that the sinking funds are not operating, and partly to the present situation in Brazil (a temporary crisis due largely to the depreciation of Brazilian currency and disorganization of her export trade), Brazilian bonds can today be bought at prices considerably lower than current quotations for bonds of other countries whose future cannot begin to compare with that which awaits Brazil.

ATTRACTIVE BRAZILIAN STERLING ISSUES.

These issues have been quite active in the American market during the past few months.

Issue Date	Interest Dates	Rate	Amount Issued	Outstanding	*Present Income
Loan of 1883	J-D	4½	£4,599,600	£2,713,100	8.60%
Loan of 1888	A-O	4½	6,297,300	4,173,100	9.20%
Loan of 1889	A-O	4	19,837,000	17,468,300	8.25%
Loan of 1895	F-A	5	7,442,000	6,925,000	9.62%
Loan of 1903	M-N	5	8,500,000	7,698,100	8.90%
Funding Loan of 1898	J-A-J-O	5	8,613,700	8,214,000	7.08%
Ry. Guarantees Rescission	J-J	4	16,619,320	13,035,480	8.32%
Loan of 1910	F-A	4	10,000,000	9,707,500	8.32%

*Direct income basis figured at present Sterling Exchange. As exchange returns to normal, yield percentage increases.

Over Seventy Issues to Choose From

Including both external and internal issues, and including issues of the federal government, the various states and important cities, there are over seventy issues from which the investor could choose. Of these there are only four that are dollar bonds. (There are a few issues of private enterprises which will only be discussed briefly in this review.) The four issues brought out in this country are:

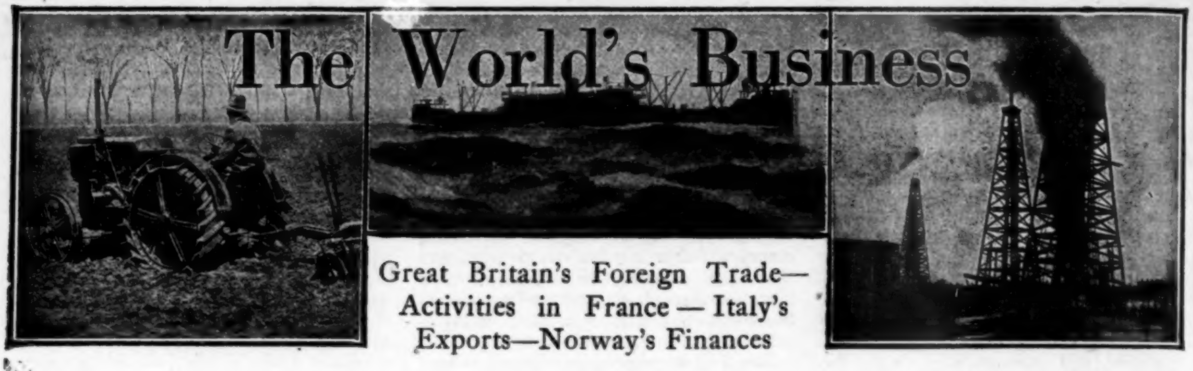
City of Rio de Janeiro 6's Serial Bonds of 1919	$10,000,000
City of Sao Paulo 6's, Loan of 1919	8,500,000
State of Santa Catharina 6's of 1919	5,000,000
State of Sao Paulo 8's, Loan of 1921	10,000,000

The last loan was brought out simultaneously in the United States, England and Holland. The English issue was for £2,000,000 and the Dutch for 18,000,000 Dutch guilders. There is a most significant circumstance connected with the offering of this loan. It was not primarily an American loan. The original contract was signed by an English underwriter and the American offering was merely a participation in that underwriting. The significance lies in the fact that England is again a factor in the foreign bond field, that she has capital to invest in other countries and that she is ready to invest such capital and thus again take her place not only as an international banker but as an international trade factor. The United States will have England to compete with in the future. Some conception of what this competition means may be had when it is recalled that English investors for the ten-year period prior to the war subscribed annually to about $1,000,000,000 of foreign securities, which is about one-half of the annual investment absorption of all securities in this country in the same period.

The "Dollar" Loans

THE STATE OF SAO PAULO 8% sinking fund gold bonds mentioned above were offered to the public at 97½ and interest, yielding at least 8.47%. The bonds, besides being a direct obligation of the State of Sao Paulo, which is commercially the most important state in Brazil, are also secured by a first charge on the surtax of five francs per bag on all coffee exported from the state, except that the government is entitled to deduct from this surtax £285,000 annually until August 1, 1924. After that date the entire surtax will be available for the service of this loan, and 44% of the surtax is pledged for the service of the $10,000,000 offered in this country. The surplus of this surtax, after making provision for interest and expenses, will constitute a sinking fund and is to be used for the purchase of the bonds at or below 105 until November 15, 1925, and thereafter for the redemption of the bonds

(Continued on page 773)



The World's Business

Great Britain's Foreign Trade—Activities in France — Italy's Exports—Norway's Finances

BRITAIN'S FOREIGN TRADE

FIGURES now at hand concerning Great Britain's foreign trade may prove to be somewhat misleading later on, in view of her recent treaty arrangement with Soviet Russia. Her trade may increase in leaps and bounds, and, again, it may not. It is the view in Washington that the pact is political rather than economic, and will result in very slight material gain to England while subjecting her to criticism throughout a large part of the world.

At present there is a marked depression in practically all trades and industries in England. Prices of raw materials continue to decline, which might indicate the probability of reductions in prices of manufactured goods.

A number of associations representing suppliers of raw material, such as iron, steel, ingot steel, cast steel, forgings, castings, etc., have reached an agreement whereby they recommend to their members that they quote fixed prices, and, therefore, the various sections of the British Electrical and Allied Manufacturers' Association have, in turn, recommended that their members quote fixed prices for all their manufactures. The obligation of using the clause for the home trade was removed as from the beginning of the month, and, undoubtedly, this procedure will be followed with regard to overseas trade also. This is the first instance reported of trade associations as a body adopting this policy in England, and it not only marks a potential improvement facilitating the purchase of goods of this character by overseas buyers, but is strong indication of the probability of this vexatious and strongly deterrent clause being eliminated from future contracts in a number of trades.

Statistics just issued on the foreign trade returns of England during the month of February disclose a decline in overseas trade. During the month the imports were valued at £97,000,000, exports at £68,250,000, and re-exports at £8,000,000. Thus the figures for February represent a decline in imports of about £20,000,000 from those of the previous month, which amounted to £117,150,783. As compared with January, exports show a decline of over 25% from a valuation of £92,756,094 during that month. Re-exports during January amounted to £9,955,119.

The chief feature of the export trade is the falling off in coal exports, amounting to 33⅓% in tonnage and 56.2% in value, as compared with February, 1920. The chief import increases during February as compared with the same month of the previous year occurred in iron and steel, electric goods, wool and timber, oils and fats and resins. It should be taken into account, however, that falling prices tend to increase the fluctuation in foreign trade figures as compared with the previous year. During the month the imports of motor cars amounted to 308 in comparison with 2,140 during the same month the previous year. Figures recently issued in estimation of the budget for the coming fiscal year show a reduction of over £148,000,000 as compared with the present fiscal year. During the fiscal year 1921-22, the estimates place the budget at £460,900,585, as compared with £609,181,953 for the present year.

REBUILDING FRANCE

EVER since the armistice the French people have been bending their energies to the work of construction of the devastated regions.

It was considered that the best interests of France would be subserved if as much of the rehabilitation as possible should be accomplished by private enterprise. Therefore, the number of workmen employed by the Government in reconstruction was reduced from 185,000 at the close of 1919 to 18,000 at the close of 1920. A special committee of the Superior Council of Materials, Labor and Transports has prepared by-laws for the co-operative societies of reconstruction and on February 1, 1921, more than 2,000 of these organizations were in active operation. The Government, through the Credit National, assists them financially. Construction of houses for workmen has been facilitated by funds advanced to industrial enterprises and to various societies formed for the purpose of building model dwellings. The Administration has authorized the formation of corporations for the construction of such dwellings.

For the replacement of cattle and live stock various delegations and commissions have visited Germany, 207,000 animals from that country having been received and distributed in the devastated area. Since the armistice 3,791,200 inhabitants have returned to the devastated regions, of whom 466,000 returned during 1920.

During 1920 farmers have sown in the devastated regions 753,467 acres of wheat, 826,537 acres of oats, 142,598 acres of beets, 114,834 acres of potatoes, 97,466 acres of rye, 95,857 acres of barley and 348,398 acres of other crops. The total area sown in crops during 1920 was over 2,300,000 acres.

There have been 6,144 miles of roads improved and 2,508 miles put into commission. One hundred and thirty-four bridges have been rebuilt. There have been 2,376,387 acres cleared of projectiles and 1,603,834 acres cleared of trenches and barbed wire entanglements.

In view of the financial difficulties involved all this is phenomenal. Great resources are still needed and financing is a great problem in the reconstructive program. The minimum requirement for reconstruction work in 1921 is 16,500,000,000 francs.

In the past month exchange rates have been steady, and in France the franc has been quoted at approximately 7 cents throughout February. On the Stock Exchange industrial shares have declined. It is suggested that the heavy selling by investors who desire to transfer their capital to securities with fixed interest is the cause of the recent depression in industrials. Recent price declines have tended to strain bank credit, and several banks are reported to be in a difficult position.

Business leaders seem confident that the economic situation will adjust itself, but are a little fearful of the present financial situation. The adjustment of the budget is difficult until reparations from Germany are definitely fixed. Much concern is manifested in the future policies of the United States.

Markets are quiet. The pipe line construction between Havre and Paris has been discontinued. Efforts are being made to increase the export trade, and during January it amounted to 67% of the imports. Imports of foodstuffs have decreased. Stocks of American cotton on hand at Havre on February 17 amounted to 155,364 bales. Coal imports during the week ending February 10 amounted to 36,[illegible]0 tons.

Shipping is dull. A rate of 13 shillings per metric ton is being quoted from French ports to Boston. The gross tonnage of the French merchant marine at present is 3,334,350 of which the Government owns about 1,000,000 gross tons.

Unemployment is believed to be less in evidence in France at present than in Great Britain, and possibly than in the United States. The metal working and furniture trades are experiencing dull periods, the latter showing 50% unemployed. Textile trades are dull. The decline in wholesale prices continues but the reduction in retail prices is unimportant.

The Tariff Commission of the Chamber

of Deputies has approved the establishment of the import tariff coefficients to include all articles except foodstuffs and metallurgical materials. The Commission has also decided to increase the difference between the minimum and general tariff to about 300%.

RISE IN ITALIAN LIRE

ITALY always has been dependent on the outside world for the staple raw materials of industry. Certain essentials to modern production, such as coal, petroleum, phosphate and potash are not to be found in the country. Prior to the war Italy's total imports far exceeded exports in value. This constant unfavorable trade balance was offset in various ways, the exchange equilibrium being secured chiefly by means of remittances from Italian emigrants from abroad and the expenditures of foreign travelers within the country.

By an order effective January 21, 1921, the following commodities were removed from the list of Italian Government monopolies: tea, paraffin, mercury, electric bulbs, oil seeds and condensed milk. The goods still remaining under Government monopoly are coffee, coffee substitutes, tobacco, salt, matches, petroleum and its products, benzine, heavy mineral oils, cereals and cereal flours, rice, oats, saccharine, tinned meats, chilled and salted meats, bacon, sugar and playing cards.

Statistics on Italy's trade with the United States during the last three years show a general increase in the value of goods exported to this country, and a constant decrease in the value of goods shipped to Italy from the United States. America's purchases of Italian goods amounted to more than three times as much in 1920 as they did in 1918, while her sales to Italy, on the other hand, decreased by about one-fourth during the same period.

During the last six months of 1920 there was a marked decrease in the value of Italy's exports to the United States, the total for the six-month period being only about $30,900,000 as compared with $44,450,000 for the first six months of 1920, and $48,000,000 for the last six months in 1919. For the year 1920 Italy exported to the United States goods to the value of $75,357,579 as against $59,060,065 in 1919. Italy imported from the United States in 1920, $371,767,274, as against $442,676,842 in 1919.

The returns, published by the Postoffice Savings Banks, indicate a notable increase in deposits in Italy, amounting to more than 100% in a period of a little more than a year and a half. The latest available figures are as follows:

December 31, 1918	3,452,000,000 lire
October 31, 1919	4,711,000,000 lire
December 31, 1919	5,190,000,000 lire
June 30, 1920	5,896,000,000 lire
August 31, 1920	7,491,000,000 lire

At the present writing the lire has developed pronounced strength, having risen to above 4 cents on March 18. Comparison as of February 16, when the high figures were recorded in sterling, and on March 18 when exchange on London showed a loss of nearly 2 cents, and francs a loss of nearly $.0050 and marks of more than $.0010, the lire actually advanced more than $.0030. Many of the Italian bankers in New York maintain that this strength is indicative of improved economic conditions in Italy. It surely indicates a restoration of confidence. A few months ago the workmen had gained control of many Italian factories, especially in the steel industry, and it looked as if they might have gained the upper hand in the Government. Recently, however, these workmen found that they could not purchase raw materials and pay wages without capital and so they returned to work under the old conditions.

Prior to March 1, Italy purchased wheat at from 130 to 160 lire a quintal, which it sold for 60 lire. As the home production of wheat was insufficient, it purchased about 35,000,000 quintal of foreign wheat at prices ranging at 300 to 220 lire a quintal. This was also sold at 60 lire a quintal and meant an annual deficit of 6,000,000,000 lire. In the future the price to the consortium will be dependent upon the price paid for home production. Now that bread has risen in price, local bankers estimate that Italy's revenue will be increased by nearly 5,000,000,000 lire. Moreover, Italy has never tried to dodge her indebtedness to her Allies in the war. Already she regards the Austrian reparations as a total bad debt and does not consider it in her plans for paying her own debt. Also she does not attempt to blink the fact that Germany's reparation will not mean any more to her than about half of the 21,000,000,000 francs which she owes to England, France and the United States.

NORWAY'S BANKING CONDITIONS

THE annual reports for 1920 of the banks of Norway, recently made public, in most cases show large margins of profit, indicating that the financial condition of the country is strong in spite of the present industrial depression. The Norwegian Commercial Bank made a profit of about 10,000,000 kroner, the Norwegian Credit Bank, about 7,500,000 kroner, the Christiania Bank and Credit Funds and the Andresens Bank each about 7,000,000 kroner, the Bergen Credit Bank about 8,000,000 kroner, and the governmental bank, the Bank of Norway (Norges Bank) even shows new profits for the year amounting to 24,000,000 kroner.

The account rendered by this latter bank is particularly illuminating. The surplus has grown from 14,000,000 kroner in 1919 to 24,000,000 kroner in 1920. Of the surplus 5,500,000 kroner was paid to the national government and a dividend of 12% to the stockholders. For the del credere-fund 13,000,000 kroner was reserved, for the pension-fund 500,000 kroner, for the gratuity-fund 200,000 kroner and for the regulation-fund an amount of about 78,000 kroner was transferred. The gold reserves of the Bank of Norway increased from 44,700,000 kroner in 1914 to 147,300,000 kroner in 1920.

On the whole the banking conditions of Norway are very strong. Some small banks have had difficulties, but these were caused by purely local circumstances and had no bearing whatever on other banks of the country. The general opinion of the leading bank presidents in Norway is that all the large banks are well fortified and in a position to assist any smaller provincial banks that may temporarily be in need of assistance.

Photo by Brown Bros.

GENOA, THE CHIEF PORT OF ITALY

This is also one of the most important commercial cities, having a large emigrant traffic with America. The chief exports are olive oil, hemp, flax, rice, fruit, cheese, etc., and the main imports are cotton, coal, grain and machinery

Money, Banking and Business

Harrison H. Wheaton Analyzes World's Savings Bank System

Executive Manager of N. Y. State Savings Association Describes Growth of Deposits—Condemns N. Y. State Rent Laws

Interview by **WILLIAM McMAHON**

THE economy of savings banks, with their records of deposits and loans, is a subject of interest to students of business conditions. Hence I went in search of facts pertaining to the savings bank situation; and, logically, that meant a call on Dr. Harrison H. Wheaton, executive manager of the Savings Banks Association of the State of New York.

First, I asked as to the present policy of the savings banks in reference to loans, particularly as to mortgage loans.

"The 140 savings banks of New York State on January 1, 1921, had $1,298,804,000 invested in real estate bonds and mortgages," said Dr. Wheaton. "This amount is based upon a preliminary report lately filed and represents an increase of $128,809,000 over the mortgage holdings of January 1, 1920, when the savings banks had $1,169,905,000. Under the law a savings bank may loan 65% of its deposits and guaranty fund, but may loan only 60% of the fair appraisal value of the property on which a loan is given. The prospects for mortgage money in 1921 are good.

Two Hundred Million in 1921

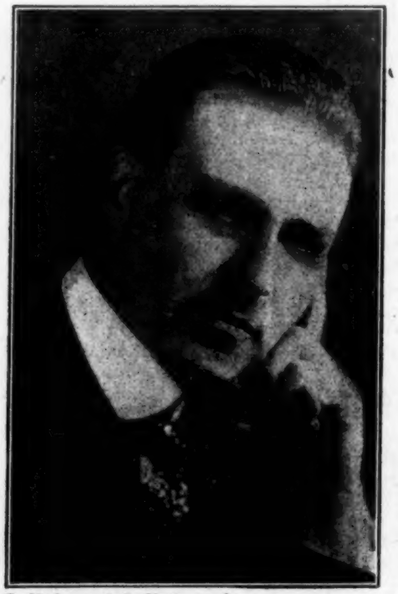
"The results of extensive investigation indicate that approximately $200,000,000 will become available during 1921 under normal conditions, provided the people continue to deposit more in the savings banks than they withdraw. Ordinarily an average of 15% of the amount invested by savings banks in bonds and mortgages becomes available annually for reinvestment. In other words, the annual turnover of mortgage money this year would approximate $195,000,000, due to payments on mortgages, foreclosures and sales.

"New deposits will also furnish an additional source of mortgage money. If the new deposits this year equal those of 1919 when we had a fair year of savings bank business, and the excess of deposits over withdrawals also equals the excess of that year, about 50% of this excess, conservatively figuring, will become available for the purpose in question, or about $87,000,000. Whether $200,000,000 is actually invested by the savings banks in mortgages will depend on more favorable conditions than at present."

Why Savings Banks Prefer Mortgages

I inquired why the savings banks sought the mortgage field for investments in preference to others that the law permitted.

"The basic reason for savings banks to place relatively so much fund in mortgage loans," replied Dr. Wheaton, "is that the mortgage loan has a tendency to keep the savings of the people within the community where the savings bank is located, ordinarily a desirable thing to do."



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HARRISON H. WHEATON

IN his present capacity as Executive Manager of the Savings Bank Association of New York, Dr. Harrison H. Wheaton presides over the largest State system in the United States.

Before taking his present office, Dr. Wheaton devoted many years to the study of immigration and labor welfare. He has held a number of important posts in the Pennsylvania and New York State departments.

Dr. Wheaton is a member of the American Academy of Political and Social Science; was appointed director of the Connecticut State Department of Americanization in 1918, and Labor Manager of the New York Clothing Trade Asociation in 1919.

This led up to the housing situation and to the question whether or not the savings banks of New York State are doing their part in relieving the problem. In reply to this query, Dr. Wheaton handed me a clipping quoting Mr. Wm. E. Knox's remarks before the Real Estate Board of New York. Mr. Knox's figures show that several of the principal savings banks of New York City during the year 1920 received in deposits in excess of drafts $54,028,000 and that during the same period these banks made mortgage loans for $57,240,000. Savings banks loaned more on bond and mortgages in 1920 than in 1919.

Dr. Wheaton gave unqualified endorsement of Mr. Knox's conclusions:

"There is one way and only one way in which the savings banks can be of assistance and that is by lending money so far as they legally and prudently can on dwellings, apartment houses and tenements. This they are doing but there are no builders, even those with sufficient capital, who will undertake new construction in the face of the present rent laws. The passage of the rent laws killed the building industry and there have been practically no tenements or apartments built since the passage of these laws.

"In order to stimulate the building industry the present rent laws will have to be repealed, for so long as they remain on the statute books there is no chance that the present situation will be better.

"The 140 members of the Savings Banks Association of the State of New York have been lending liberally during the past year and if deposits keep up as at present there will be a record-breaking sum to lend on mortgages during 1921. The savings banks will be more than willing to lend on dwellings if the builders are encouraged to build and will be able to finance their share of the operation."

N. Y. State Banks Lead in Mortgage Holdings

"How do the savings banks of New York State compare with those of other states in the ratio of mortgage loan holding to total assets?" I asked, and in reply Dr. Wheaton furnished the following figures which had just been compiled by his staff of statisticians.

(*Continued on page* 806)

The Value of Statistics in Business

Article II of the Series "Commanding Your Banker's Support"—How Statistics Help Shape Policies and Their Value in Obtaining Credit

By **W. G. HAFNER**

Of Ernst & Ernst, Certified Public Accountants

THERE is no more important question before the business man today than that of the right kind of accounting. Industry is becoming so complex, our tax laws are so intricate, and the rendering of accurate returns to the Government so important, that the concern without an adequate and comprehensive accounting system is in the poorest possible position to conduct its business to the best advantage.

The Lesson of Business Failures

And yet, notwithstanding this necessity, the business man who answers honestly will, as a rule, have to acknowledge that his accounts do not say very much to him. The rank and file of business men have wholly exaggerated and distorted ideas as to the inner workings of their business, as to actual ratios between gross income and net return, as to the real meaning of overhead burden by way of expense for sales, merchandising, repairs, depreciation, replacements, idle labor and equipment; in other words, they are at sea without either chart or compass. They know that they are on their way and that is about all. Whither the way will lead they do not know.

An idea of where such a way of doing business does finally and inevitably lead may be obtained from a tabulation of statistics recently placed in circulation by a life insurance company of national standing.

Observe: Out of every ten concerns that start in business, **six are sure to die** within thirty years. The most of these succumb in the first eight to ten years.

An analysis of a group of sixty-one concerns already in business thirty years ago, reveals the disturbing fact that fifty-four had died, and seven only still lived at the end of the thirty years. **One** factory out of twenty, **none** of the six wholesale houses, and **six** only out of thirty-five retailers lived through. Twenty-seven of these concerns, or nearly half of the total of sixty-one, suffered death in the first five years; eleven more went under in the second five; and in the next five years seven more passed away.

Out of a total of 4,369 concerns entering business during these thirty years, 62% of 1,327 manufacturing concerns in 213 lines passed away; 51% of 492 concerns in 28 lines succumbed; 59% of 2,550 retail stores in 10 lines were conquered by business mortality. What a record of disaster! What a harvest of death! What a tragic comment on inefficient and unintelligent business methods!

Why? Well, some of it is to be accounted for by lack of capital, unwise credits, extravagance, fraud, and the like; but the vast bulk, the overshadowing majority of business mortality is caused by this one thing alone: lack of accurate, adequate and complete information relative to costs and profits. This is the canker which is gnawing at the vitals of business! This is the dread white plague of commerce! This is the thing which saps the energy and wastes the frame of industry! This: that every manufacturer and merchant has accounting methods of his own, which he knows in his heart to be inefficient, yet jealously holds to and attempts to justify; that every business man bases his conclusions and forms his judgments upon information, which, except in rare instances, cannot be depended upon; that the days which should be given to perfecting business operations are spent in guessing at costs, or in mourning over lost profits; that business men are blinding themselves daily more and more to the great, changeless and inevitable truth that there is but one way on which to form any just conclusions of whatever nature, and that is upon a basis of proven fact.

> ***To Help Business Men***
>
> *"TO help business men conduct their affairs in such a way as to insure banking co-operation at all times" is the purpose of this new series of articles on the subject of Commanding Your Banker's Support.*
>
> *The accompanying article is the second of the series. Other articles will discuss Purchasing Methods, Sales Organization, Factory Management, Advertising, and kindred topics; each one written exclusively for this Magazine by an authority in the field.*
>
> *We publish these articles in the belief that they will prove of immense value to business men in their future banking negotiations.*

> ***Getting Credit Today***
>
> *"LAST year, failures in business entailed a direct loss to creditors of more than $200,000,000. Consequently the controllers of credit cannot be blamed for their conservatism. . . . More and more as the years go by you have got to show them that your business is in a healthy condition and that it genuinely merits financial assistance before they will even so much as discuss the matter of a loan, or undertake to deliver merchandise on credit."*

The Purpose of Accounting

Under modern conditions, the great problem of successful business management is one of **intelligent control**. The exercise of sound discretion for purposes of control presupposes an exact knowledge, not only of the remotest details of the business under direction, but also a clear conception of group relations, financial conditions and operating results, expressed in terms of asset and liability, income and expense, gain and loss.

Now, the knowledge necessary for meeting business conditions of today can come only from an accounting system so designed as to furnish reliable and proven information about all the activities of the business. The era of bigger dividends, indeed of any dividends at all, has had its beginning, in many instances, with the inauguration of proper accounting methods. For the right kind of an accounting system in the hands of an executive, who thoroughly appreciates and uses the information it furnishes, is a most effective instrument of control.

Why? Because the purpose of accounting is to present the facts of business, to direct our judgment of business events, to trace the connection between causes and effects, and to draw from past occurrences general lessons of industrial wisdom. The whole spirit of modern accounting is judicial. It sums up with a calm, steady impartiality, turning neither to the right nor to the left, glossing over nothing, exaggerating nothing. Estimates and approximations may be had for the asking. But for the cold facts of business, the one weight and the one measure, I know not where else we can look.

Facts of Business Should Be Known and Studied

Whatever it is desirable and advisable to know about your business, it is advisable and desirable to know as **long** and **completely** as possible. Therefore the object of good accounting is to present, in the most constant manner; and to bring again and again, not only within the thoughts, but before the eyes, all the facts of your business; and to describe them distinctly, so as to approach always as nearly as may be to the actual facts themselves. Can anything be more evidently and indisputably natural and right than this: that the manufacturer or merchant should desire to know what he ought; what is worthy of his attention, and helpful to his business: to know that—nothing more, nothing less—and to keep records and definitions of such knowledge constantly before him in the most vivid and explanatory form?

Such then being the main purpose and object of accounting, it may be asked how these facts are to be rendered practically serviceable to the business man. Simply by the **study** of them. The man who habituates himself, in his daily life, to

seek for the stern facts in whatever he is engaged, will have these facts brought before him again and again as the basis upon which he may form his conclusions and judgments; while he who seeks for fallacies—for estimates and approximations—will have fallacies presented by his mind as the foundation of his reasoning. Thus, if in his bookkeeping and accounting, the proprietor or manager seeks for the accurate circumstances in connection with any business event; and, having ascertained them, he will dwell upon them without the slightest care for any desirableness in them, but simply for their own truth's sake, then these truths will afterward rise up and form the body of his vision of his business, perfected and united in a way to serve him advantageously. But if, in studying his business, he does not regard facts, but thinks only of how it all might most prettily, and properly and impressively have happened, then there is nothing but falsity to form the body of his thoughts, and his whole vision of his business becomes false.

The Value of Knowledge of Facts

The lot of the modern executive is no sinecure. In the first place he has to run the business. Decision after decision is required of him at short notice; until sometimes it seems to the overworked executive that they shoot forth with the continuity of shots from a machine gun. The strain of rendering decisions of an unusual nature, far removed from routine, and without adequate facts and figures upon which to base conclusions and judgments, is terrific, and sooner or later will result in disaster either to the executive or to the business. For this reason more and more executives are demanding immediate information, fresh statistics, present values. By this means they are enabled to know more about the condition of profit and loss at the end of every month than they knew previously at the end of the year. If trouble arises they find it quickly. If profits are being made they know it promptly. If goods are being manufactured or sold at a loss the facts are placed before them immediately. They are constantly being advised of every fluctuation in the condition of their business. There is not much danger from other sources, if, having this information constantly before them, they study it intelligently; for knowing the real truth about their condition, they can trim their sails according to the gale.

Relation of Accounting to Credit

Let us consider, also, the relation of adequate accounting to the subject of credit.

Mr. H. C. Carey says, in "The Credit System in France, Great Britain and the United States":

> "Credit cannot exist without confidence in the security of property, and in the disposition of a purchaser of a commodity to pay for it at the time appointed. No man parts with his property except when he believes that an equivalent will be returned."

Mr. Walter Bagehot, in "Lombard Street," puts the matter in this light:

> "Credit is an opinion **generated by circumstances** and **varying** with those **circumstances.** The state of credit at any particular time **is** a matter of fact **only to be ascertained like other matters of fact;** it can only be known by trial and inquiry." Lines in bold are the author's.

In "Funds and Their Uses," Prof. F. A. Cleveland concludes that credit is founded on two judgments, thus:

> "These two judgments lie at the basis of all credit; on these two elements does the value of credit rest. (1) A judgment that the one promising is **able** to fulfill his promise. (2) A **judgment that he will be willing. Willingness** is another name for 'honesty' or 'integrity'. Confidence is nothing more nor less than the **result of judgment** that a person is both **able** and **willing** to do what he promises."

From these statements by authorities on the subject of credit, it will be noted that **credit is always conditional on the ability of the borrower to pay. In the granting of credit a certain confidence is given, and a certain trust reposed.** But preliminary to this, the lender, whoever he may be, deems it advisable and desirable to have answered for him, as fully as may be, these two cardinal questions: (1) Is the trust justified? (2) Is the confidence wise? In other words, will the promise to pay be kept?

Now, how are these two questions to be answered? How is the banker or credit man to be satisfied as to the ability and disposition of the borrower to fulfill business promises? How can a reasonable expectation of continued ability to meet obligations promptly be ascertained?

A first class credit risk—in the sense that all ordinary dangers are non-existent—is one in which all the following three elements of credit are represented: character, business ability and resources or capital. And while character and business ability play a large part in the determination of credit risks, the element of resources is never overlooked in arriving at the essentials of a dependable risk. The manner, habits, antecedents, moral principles, as well as the regard in which he is held by business and other associates, establish a man's character. His experience in industry or commerce, and the aptitude shown by him in mastering the difficulties inherent in the transactions of his concern, indicate his business ability. His capital is comprised of his material means and resources.

Determining Desirable Credit Risks

Bearing in mind that it is only by a determination of ability to pay, as evidenced by capital or resources, that desirability as a credit risk is finally decided, the question naturally arises: What is the means by which resources may be determined? Only by an analysis of a properly prepared Balance Sheet. It is not sufficient that a business man submit a property statement, on which are listed items of land, buildings, machinery, merchandise and other assets. What is necessary is to establish the fact that such assets are of such a nature that they will be, not a drawback, but a help to the business. One of the most important questions demanding the consideration of the banker or credit man is the effect of the kind of assets he has upon the borrower's paying qualities.

In the analysis of a borrower's statement, these two questions are uppermost in the minds of the credit man or the banker.

1. Will the loan or obligation be paid at maturity?

2. Will payment be made ultimately, should unforeseen circumstances prevent payment at maturity?

The answer to the first question will always be found in the relation existing between the quick assets and current liabilities of the borrower; and the relation of his slow or permanent assets to his permanent liabilities provides an answer to the second. Hence the banker or the credit man divides the assets and liabilities of any concern into two groups each, i. e., quick or current, and slow or permanent. Why? Because it is realized that current liabilities must be paid out of the proceeds of quick assets, leaving to permanent assets the duty of taking care of permanent liabilities. The cautious banker also scrutinizes the borrower's statement from the standpoint of merchandise inventories. He wants to know how much merchandise is being carried, and whether it is too much or not enough. The status of the inventory account may be sufficient to cause a favorable decision or vice versa.

How to Earn the Confidence of Your Bank

With the years banks and credit men all over the country have grown increasingly careful—painful experience has taught them caution. Last year failures in business entailed a direct loss to creditors of more than $200,000,000. Consequently the controllers of credit cannot be blamed for their conservatism. They are all from "Missouri." They demand to be shown. More and more as the years go by you have got to show them that your business is in a healthy condition, and that it genuinely merits financial assistance, before they will even so much as discuss the matter of a loan, or undertake to deliver merchandise on credit.

This is the condition with which business men are faced today with respect to credit. And the very best way to satisfy the banker and credit man, and earn their confidence, is to exhibit a Balance Sheet, and Profit and Loss Statement complete in every detail, and founded on scientific accounting methods. This is rapidly coming to be the *sine qua non* of credit extension. The business man today needs to have records of all the transactions of his business, and especially the relationship which one transaction bears to another transaction as well as to all others. In order to make a statement that is true and correct, and do it readily, a borrower's accounts must be so conducted that the business done from day to day is set forth minutely, plainly, and accurately.

Beyond this, consider if you will, what great assistance such a record of business transaction would be to the proprietor or manager in discovering leaks, or in locating troubles leading to losses. How many concerns, throughout the length and the breadth of the country, are yearly being slaughtered for the want of a little honest, accurate, definite information in the way of statistics and data! How many of the

most impressive events in the history of the individual business fail of teaching what they should teach, for the want of statements to represent them faithfully! How many of the best impulses of business men are lost in guesswork, for the want of current facts and figures to contemplate! How great a part of the vital power of industry is wasted, for the want of dependable accounting methods! These facts must be self evident to those who have their eyes open, even in a measure, to present-day business conditions. They lie at the very surface, so that even he who runs may read.

Bankers Prefer Certified Statements

Then again, it is becoming more and more customary for bankers to demand from borrowers the submission of a verified Balance Sheet, and Profit and Loss Statement. There is at the present time, on the part of bankers, an almost universal preference for certified statements, whether submitted by the borrower personally or by a note broker. This means one thing, simply: That it is desirable and advisable to have your accounts audited periodically by certified public accountants. One of the foremost bankers in the United States has thus epitomized the situation:

"When we consider that more than half of the loans by commercial banks are based on the statements of the borrowers, and that the competition between banks themselves, and between banks and commercial paper brokers, is, in ordinary times, very keen, I should say it would be very difficult to find a banker who does not approve of having all borrowers' statements prepared by public accountants."

It is particularly gratifying—the more so because absolutely true—to find that there is public appreciation of the value of accountancy as a factor in bettering business conditions. There will always be a certain degree of skepticism as to the disinterestedness of the man who claims that his work is for the public good;—and it is only human that this claim should be discounted and discountable—but here we find a man, who is not an accountant, recognizing that there is a public benefit to be derived by the use of those services which certified public accountants have to offer.

The reason for this preference lies in the safeguards that attend an independent checking of the books of accounts. It is evident that if the audit is made by the firm's own bookkeeper, it must of necessity be a biased audit; and, likewise, if the proprietor or manager appraises his own property, it will be a biased appraisal. Therefore, at stated times, firms of certified public accountants audit the books of all well-managed concerns, and submit their findings to the owners, and they in turn to the banks.

But I must leave the reader to pursue this subject for himself. I have not the space to suggest to him the tenth part of the advantages which would follow upon putting into practice the policies outlined herein, both to the business man himself from such an understanding of his industrial or commercial mission, and to industry as a whole from the results of such an understanding. Consider what this means. Consider how the business man himself would be elevated thereby; how content he would become, how enlightened, how possessed of all accurate knowledge of the facts of his business. Consider the advantages to the whole of industry; the immeasurable benefits from the standpoint of competition; the perfect knowledge of costs conveyed; the far greater number of men who might make their concerns profitable. Conceive all this, and then look around at the commercial devastation on every hand, and try to feel what we are, and what we might be.

Aristocrats Among Investments

Stocks of Banks and Trust Companies Long Regarded as Gilt-Edged—Yield Enhanced by Frequent "Extra" Dividends—Unfavorable Marketing Methods

By JOHN T. WINDSOR

EXCEPT to dyed-in-the-wool investors, bank stocks have never made a very strong appeal. There are two important reasons for this. One is that the average investor or "specvestor" prefers issues having a more active and ready market. The other is that the high prices most bank stocks obtain, restricting the number of shares that can be bought, apparently limit their profit possibilities.

Certainly it is true that the market conditions under which bank stocks are bought and sold are not ideal. And it is equally true that the price of the average bank stock is relatively high.

Yet these drawbacks are offset by many advantages. No one can dispute the fact that bank stocks have proven exceedingly profitable to investors with the foresight to acquire them under favorable conditions. Also, securities in this class are far "safer" than industrial or other stocks could ever be. As for their apparently prohibitive market value, an investment in one or two shares of bank stock, costing the same, will frequently prove much more profitable than an investment in five times as many shares of some other type. Finally, they are excellent collateral.

The one chief disadvantage of bank stocks is the manner in which they are bought and sold. This point will be discussed later.

"Book" Values

Unlike the shares of industrial corporations, the "book" value of bank stocks is an accurate reflection of their actual value. Assets are of the most liquid sort, consisting of cash, Government securities, short-term notes, very high-grade commercial paper and such holdings—not omitting the valuable real estate properties in which the banks' business is conducted. Compare such assets as these with the assets of the average industrial concern and their superiority becomes at once apparent. Industrial "book" values generally consist in great part of inventories, plants, machinery and similar easily depreciable items. Fluctuations in the items behind the "book" values of industrial shares are often so great as to make an accurate estimate of such values almost impossible. In most cases, therefore, they are of little value in gauging the value of industrial stocks. This is not true of the "book" value of bank stocks. Owing to the nature of the assets behind such book values, depreciation is not so common and certainly not nearly as extensive as in the case of industrial shares. For that reason, the "book" value of a bank stock is a very practical consideration with regard to prospective investments therein.

Many high-grade bank stocks sell well above their book values and they are entitled to do so because they are almost unique among investments. Besides being a prior lien on the bank's capital and surplus, there being no bonds or preferred stocks ahead of them, a share of bank stock participates in the results of the earning power of its bank and the higher the earning power, and consequently dividends, the higher the shares will sell.

The Mechanics & Metals National Bank, for example, shows a book value of $266 a share but the stock is quoted 302 bid and 307 asked. The buyer of this stock apparently is buying $266 worth of assets for about $300—not a bargain, on the face of it. But the stock pays $20 a year in dividends which alters the situation considerably. This will be found to be the case with a number of bank stocks that are selling above their "book" values.

On the other hand there are stocks in this category which sell below their "book" values, but in these instances it will be found that the dividends are comparatively small.

Regular Dividends Plus

In analyzing the yield of these securities on the money invested, one is impressed by the fact that the yields are very low as compared with industrial stocks and even with many good bonds. Few bank or trust company stocks yield more than 6% on the money invested and the average is below 6%. However, it has been the custom for many banks and trust companies to pay extra dividends from time to time and there have been instances of large stock dividends and also valuable "rights." This brings the yield over an extended period up to a higher figure. The Park National Bank, for example, paid an extra dividend of 10% in 1920, the National City Bank 6% extra, the Bowery Bank 10% extra and the Title Guaranty & Trust paid 5% extra in cash and a stock dividend of 20%. The latter company also paid an extra of 5% early this year. Extra dividends and stock dividends are so frequent among banks and trust companies as to be taken almost as a matter of course and one can generally count on such disbursements—in addition to the ordinary regular

dividends—particularly in the case of the more powerful and wealthier institutions.

The Market

Bank and trust stocks are dealt in "over the counter." There are a number of brokers who make a specialty of these stocks and it is to these brokers the investor must go if he wishes to buy or sell bank or trust company securities. It is generally difficult to execute an order promptly and investors are frequently compelled to wait, sometimes for several days, before their orders can be filled. Delays are even more protracted in transactions of 50 or 100 shares, as transactions on such a scale are very infrequent and involve considerable effort on the part of the brokers before they can be executed. Usually bank stock orders are confined to one or two share lots.

There is almost always a wide "spread" between the bid and asked prices of these securities on account of their high price. Stocks which sell at from five to eight times above their par value frequently show a "spread" of as much as 25 points and more. Bank stocks which sell lower show a proportionately smaller "spread." The brokers make the bid and asked prices but these are often nominal rather than actual prices. Buyers and sellers come and go at irregular intervals and sometimes no matter what the price buyers or sellers cannot be found. It is then necessary to wait until these prospective buyers or sellers materialize. This, of course, makes dealings in securities of this class a rather difficult affair. The people who occasionally invest in these stocks, however, are generally not concerned with market conditions as they are to be found among the solid, well-to-do folk who are generally beyond the influence of such factors. As a matter of fact, the great bulk of this class of securities is held by financiers, bank officials and their friends. Should the bank stock investor require immediate cash for his stock, he can take his securities to a bank which will make him a loan. No bank, however, will make loans on its own stock, as it is against the law.

Capitalization

Banks, as a group, are modestly capitalized. In this respect, there is no comparison at all between these institutions and industrial companies, many of which are grossly inflated as to capitalization. A glance at the attached tables will show how small is the capital obligation of most banks and trust companies. Few of them run over $10,000,000. The Guaranty Trust and the National City Bank between them have a capitalization of $65,000,000, yet they swing a combined business of about $1,000,000,000 a year.

Because of these small capitalizations, considering the volume of business which they swing, banks and trust companies are able to show very large amounts earned per share. Consequently they are warranted in paying very large dividends. Dividends of 12, 16 and 20% are common and there are instances of rates considerably above this.

NATIONAL BANKS.

Name	Capital	Surplus and Profits Dec. 28, '20	Dividend Rate	Par Value	Book Value Dec. 29, '20	Market Bid—Asked
Amer. Exchange	$5,000,000	$7,416,290	$14	$100	$248	228—238
Chase	15,000,000	24,990,400	16	100	267A	300—315
Chatham Phenix	7,000,000	8,424,800	16	100	220	255—265
City	40,000,000	66,116,000	16B	100	265C	328—335
Fifth	1,000,000	816,400	9	100	182	150—165
First	10,000,000	37,770,300	140D	100	478E	890—905
Gotham	1,500,000	1,618,000	12	100	206	195—205
Hanover	3,000,000	20,464,200	32	100	782	795—810
Irving National	12,500,000	10,605,200	12	100	186F	197—203
Mech. & Met.	10,000,000	16,568,300	20	100	266	302—307
Park	7,500,000	23,368,900	24G	100	412	363—370

A—Does not include Chase Securities Co. B—6% extra in 1920. C—Does not include National City Co. D—Including First Sec. Co. dividend. E—Does not include First Sec. Co. F—Does not include Irving Trust Co. G—10% extra in 1920.

Banks do not require a 10, 15 or 20% gross profit on the overturn as do some industrial companies. It has been roughly calculated that banks make about 1% profit on their turnover. Yet the turnovers are so large that even this small profit suffices to earn very large amounts on the capital stock.

N. Y. STATE BANKS.

Name	Capital	Surplus and Profits Dec. 28, '20	Dividend Rate	Par Value	Book Value Dec. 29, '20	Market Bid—Asked
Bowery	$250,000	$848,600	$12A	$100	$211	180—190
Columbia	2,000,000	1,618,000	8B	100	181	150—170
Corn Exchange	6,000,000	9,471,290	20	100	258	305—310
Fifth Ave.	500,000	2,319,900	24C	100	564	900—915
Manhattan Co.	5,000,000	16,672,780	24	50	217	197—203
Metropolitan	2,000,000	3,379,000	10D	100	269	325—350
State	2,500,000	2,615,400	12	100	205	200—210
United States	1,500,000	638,800	10	100	145	155—165
Yorkville	200,000	862,500	20E	100	531	375—425

A—10% extra in 1920. B—2% extra in 1920. C—55% extra in 1919; 30% in 1920. D—5% extra in 1920; 10% extra in 1921. E—20% extra in 1920.

Comparisons

There is not much to choose between stocks of national banks, state banks and trust companies, although national bank stocks are generally considered the most conservative of the three. This is due to the very close supervision to which the national banks are subject. These banks are generally community affairs and it is almost invariably the rule that whenever a bank gets a charter as a national bank the residents of the town or city in which the bank is located buy stock in the bank. Very often this stock later enhances 200 or 300%, thus indicating not only the money-making opportunity offered by such securities but the essentially sound nature of these enterprises.

State banks, unlike national banks, may have branches. They are more spread out and reach a greater number of people than do the national banks. They are also subject to close supervision, but the fact that their business is not limited to any particular locality within the state also involves added risk and therefore makes these securities somewhat less conservative than stocks of national banks. Few state bank stocks sell at over $200 or so a share whereas few sell national bank stocks sell as low.

Trust companies do an almost universal business, are not subject to the restrictions which confine the operations of national and state banks and are consequently not quite so conservative as either the state banks or national banks. However, this difference is most often theoretical as the officials of trust companies generally conduct their business along lines which cannot be questioned from the standpoint of sound practice. Trust companies do a great deal of financing and assume the risks which are involved in these undertakings. They also conduct foreign credit and similar types of more or less quasi-speculative business. These are essential businesses, however, and there is very rarely any loss sustained. Such undertakings result in larger profits than those afforded by the transactions of national or state banks.

TRUST COMPANIES.

Name	Capital	Surplus and Profits Dec. 28, '20	Dividend Rate	Par Value	Book Value Dec. 29, '20	Market Bid—Asked
Bankers	$20,000,000	$19,612,800	$20	$100	$198	325—333
Columbia	5,000,000	8,010,600	16A	100	260	300—307
Equitable	12,000,000	17,886,780	16B	100	249	280—285
Guaranty	25,000,000	36,114,800	20	100	244	305—314
Lawyers' Trust	4,000,000	2,333,300	6C	100	258	128—135
Metropolitan	2,000,000	3,435,300	16	100	272	275—285
Title Guar. & Tr.	6,000,000	12,459,700	20D	100	308	310—317
United States	2,000,000	15,071,400	50	100	853	800—825

A—4% extra in 1920. B—5% extra in 1920; 4% in 1921. C—1% extra in 1920. D—5% extra in 1920; 20% in stock 1920; 5% extra in 1921.

The business of these three classes of banking institutions is essentially so sound—immeasurably superior to practically every other type of business—that no one need worry about his investments in the securities of these institutions. Occasionally a bank gets into difficulties, but this is so rare as to be a negligible factor.

The man who buys bank or trust company stocks is pretty sure to get his money's worth.

A New York Income Tax Decision of Importance to Brokers

Dealers Now Permitted to Value 1919 Inventories at Cost or Market, Whichever Is Lower

By **MARK GRAVES, Director, New York State Income Tax Bureau**

A VERY important ruling has been made by the New York State Income Tax Bureau which allows dealers in securities to value their inventories on January 1, 1919, at either (1) cost, or (2) cost or market whichever is lower. This is a wide departure from previous rulings concerning brokers generally who were required to value securities on hand on January 1, 1919, at market regardless of the cost price.

"Who is a dealer in securities under the law?" is sometimes a close question. For the purposes of the New York State income tax law a dealer in securities is a merchant of securities, whether an individual or partnership, with an established place of business, regularly engaged in the purchase of securities and their resale to customers.

In other words, one who, as a merchant, buys securities and sells them to customers with a view to the gains and profits that may be derived therefrom.

Taxpayers who buy and sell or hold securities for investment or speculation are not dealers. Neither are officers of corporations or members of partnerships who, in their individual capacity, buy and sell securities.

Important to Non-Residents

This is particularly important in its application to non-residents of the State of New York. The law provides that gains and profits of a non-resident from the sale or other disposition of stocks and bonds, and other securities are not taxable, except to the extent to which the same is a part of the income from the business carried on in the State of New York. For instance, if a non-resident who is a member of a stock exchange firm trades on his own personal account and not as a member of the firm his profits do not constitute income subject to tax. However, if these gains are part of profits from business carried on within the State, of course, they are taxable. The deduction for losses from the sale of securities by non-residents are governed by the same rule.

Section 356 of the Tax Law provides that whenever, in the opinion of the Comptroller, the use of inventories is necessary in order, clearly, to determine the income of any taxpayer inventories shall be taken by such taxpayer. The basis for taking of inventories must conform, as nearly as may be, to the best accounting practice in that business and also conforming to the methods prescribed by the Commissioner of Internal Revenue.

A general provision of the regulations states that inventories at the beginning and ending of each year are necessary in every case in which the production, purchase or sales of merchandise is an income producing factor. The merchandise of the stock-broker consists of securities and as income can be reflected only when inventories are taken into consideration they are necessary in that class of business.

How Merchandise Is to Be Valued

Merchandise in general is to be valued at (1) cost or (2) cost or market whichever is lower. The method adopted for 1919 must be followed in subsequent years unless permission to change is granted. In view of the decline in the market a revision of this rule was brought about permitting taxpayers to value their 1920 inventories at (1) cost or (2) cost or market whichever is lower regardless of previous practice, but if advantage was taken of the revision, the new method of valuation will have to be followed in future years unless permission to change is granted.

While no definition of the word "cost" is necessary, it should be observed that "market" means the fair market value on the date the inventory is taken, to be determined by the average of the bid and asked prices after closing on that date, or any other evidence of value established by bona-fide sales nearest to that time.

Former Regulations

The regulations heretofore provided that a dealer in securities was required to take inventories on January 1, 1919, at the fair market value as of that date regardless of cost. Subsequent inventories might be taken at either (1) cost or (2) cost or market whichever is lower. Experience has taught that no exception should be made as to stock-brokers, therefore, the Comptroller ruled that inventories as of January 1, 1919, could be taken by either method indicated.

Amended returns will be accepted from dealers in securities who prior to January 1, 1919, consistently inventoried their securities in hand at cost but who by the rule heretofore in force were obligated to value such securities at their fair market value as of January 1, 1919, as one of the factors in the determination of gross income. The amended inventory may be taken at cost and a claim for refund filed, if a refund is due.

THE BRIGHTER SIDE OF READJUSTMENT

(*Continued from page* 741)

and who are not banded together solely for the purpose of maintaining prices, as is not infrequently supposed. If the keen edge of competition among them is often dulled, much of this may be ascribed to their knowldge of and good feeling towards each other.

The Best Effect of Adversity

But of all the things our trials and perplexities have done for us, nothing has been of greater moment than the re-creation of the American pioneer spirit which made this country possible and placed her in the forefront of the nations. It has grown and spread in the midst of class and political strife, when all seemed to be confusion worse confounded. It has not lost either its head or its courage in a time of serious emergency, which otherwise could easily have become a veritable Slough of Despond. It knows perfectly well that a long, long trail lies ahead of us, but is not dismayed thereby, because it is very sure that after all it is up to us to work out the solution upon which in sober truth the very life of the world depends, and it is not afraid to tackle the job.

It is a spirit which has more common sense, more courage and resolution, which hangs on more grimly to its ideals, and has less illusions about the actual facts of the situation than in any similar depression I have experienced during the past forty years.

THE RAILROADS' PROBLEM

Assuming that the stormy periods of low earnings and the labor question are passed safely, there is a very serious problem ahead—namely, the financing of future capital expenditures. You may be able to realize more readily this problem if I illustrate by means of the Santa Fe.

For five years prior to 1914 it expended annually for additions and betterments and equipment $20,000,000. This amount, therefore, may be taken as representing the amount necessary to take care of the growth of the country along its lines. To provide the same enlargements today would cost over $40,000,000 a year.

But for five years we have not made the usual additions, due, first, to the high prices caused by the European war; next, by our own entrance into the war; and finally, to the period of government control when all work that could be postponed was deferred to help win the war. We are therefore several years behind and the growth of the country meanwhile has been very much more than normal. As a minimum I should say we ought to spend twenty millions a year to catch up with these deferred items for a period of at least three years. This would make a total of sixty millions a year for three years, or one hundred and eighty millions to be expended to put us, with relation to the business of the country, at the end of three years where we were in 1914.

Apply these figures to the railroads of the country and you have the stupendous sum of one and one-half billion dollars a year for three years, which should be spent and charged to capital account. This is the tremendous problem that the railroads face—namely, how to raise such very large amounts of money and at the excessive rates of interest now necessary. Until it can be done, the railroads will have to struggle to carry the load and will do it with satisfaction neither to themselves nor to the public.

I think you will recognize from what I have said that the Transportation Act has not solved all our troubles—W. B. Storey, president of the Santa Fe Railway System.

The Bond Market

Turn Looked For in Bond Prices

More Optimistic Sentiment in the Market—Prospects of Easier Money — The Copper Export Association Issues

RECENT bond market sessions have been characterized by a downward tendency in prices with special weakness in many of the railroad issues. The average of forty representative bonds has been carried down to a level more than a point below that established a month ago and the volume of trading has increased on the decline. Activity among some of the low priced railroad bonds has been especially pronounced and many of these so-called second grade rails approached dangerously near the low points touched last December when selling to establish losses for income tax purposes was in progress. The securities of such roads as New Haven, Erie, and Seaboard Air Line are now selling at not far from receivership prices, and much concern is felt over the ability of roads of this class to meet their interest charges under present conditions. Many of the old line issues have also been pressed for sale and have reacted to levels close to those reached in December, 1920.

Decline Unexpected

This declining tendency of bonds has been one of the disheartening features of the investment market since it had been generally taken for granted that the fall in commodity prices would have a much more lasting effect on securities with a fixed return. The rise in the early part of January had been particularly gratifying in view of the fact that it had come on schedule time and had fitted in with the views of those who had carefully analyzed the situation. The unexpected set-back has been the topic of much discussion and has caused no small amount of concern.

Prominent among the reasons advanced for the decline was the perfectly logical one that liquidation of bond issues by corporations and individuals had been made necessary in order to raise sufficient funds to meet the first instalment on last year's taxes. This explanation was supported to some degree by the fact that Liberty bonds and Victory notes (which would be used to a great extent in such an emergency) were conspicuously weak. Further consideration of the matter, however, leads to the conclusion that tax selling could account only in small part for the decline. In the first place such liquidation of securities as was necessary for tax payment purposes occurred mostly last December when advantage was taken of the opportunity to establish substantial losses on securities held. In the second place the losses sustained at that time had reduced last year's income to such an extent that no large tax payments are necessary this year. Hence it is necessary to look elsewhere for the reasons underlying the weakness.

The Main Cause of the Decline

The main influence which has affected the general bond market has undoubtedly been the continued high interest rates for borrowed capital and the numerous undigested securities which still remain on the shelves of banks and dealers. There have been other contributing factors which have brought about declines in special issues, but the bond market as a whole is still being weighed down by the heavy output of securities during the first two months of the year.

In spite of the abnormally high yields obtainable through the purchase of these new issues, the absorptive power of the market has not been equal to the occasion and as a result many of the bonds have not yet found their way into the hands of permanent investors. This falling off in the demand for new security issues has doubtless been a source of keen disappointment to many holders of other bonds, and has probably given rise to considerable liquidation.

Then, too, there has been some selling of the old line low yielding issues by those who desired to increase their yearly incomes through the purchase of the attractive new issues netting 8% or over. These switches would account largely for the weakness in some of the low yield high grade bonds and for the persistent strength and upward price tendency in many of the recent issues shortly after they were put out.

Rail Bonds More Active

Analysis of the market action of different sections of the lists shows that railroad issues have been more affected than the balance of the list. This special weakness in the rails has no doubt been occasioned by the same factors which brought about the abrupt decline in the shares of the transportation companies which carried the average price level of such stocks down to a level close to the low point touched in December, 1920. Underlying the decline in these shares were many adverse factors among which were the railroad wage controversy, the fear of a general strike, the possibility of a return to government operation, the announcement of a reduction in wages by the Pennsylvania, New York Central and other systems, and the disappointing earnings statements of the roads for the month of January. Such an array of unfavorable developments would naturally serve to disturb the state of mind of even the most staid investor and would tend to force liquidation in even the highest grade securities.

The heavy volume of trading in Pennsylvania shares at a new low price for a generation was a disturbing element of no small importance and the surprising ease with which many of the old line shares were forced down to new low levels naturally was reflected in the bond market.

Of the rail issues the new Pennsylvania bonds were affected more than any of the other high grade bonds. The 6½'s which were put out in the last week of January at 99¼ and which for several days sold above that figure were heavily traded in and fell to a new low of 97¾. This represented a decline of 2½ points from the high record of 100¼ made immediately after they had been brought out. The ten-year 7's, which only a short time ago sold at 105½ got down as low as 100, the price at which they were offered to the public last year.

Other issues, particularly the obligations of those roads whose earning power has been undermined, were likewise affected, but not to the same degree. The New Haven issues, for instance, showed special weakness following the disclosures in connection with the investigation of the New England railway situation. It was brought out in this discussion that the outlook for the New England roads is far from promising and that a receivership for New Haven would be the only logical solution of the problem unless prompt relief were forthcoming. The New Haven shares have recently been under considerable pressure and the liquidation was also carried into some of the bond issues, especially the debenture 6's and the New York, Westchester & Boston 4½'s. Bonds of such roads as St. Louis Southwestern, Kansas City Southern, and St. Louis and San Francisco, whose earnings have been standing up remarkably well, resisted the downward tendency and displayed the confidence that the public has in the ultimate value of these securities.

Heavy Trading in Copper Bonds

In the industrial section of the list there has recently been heavy trading in a number of the copper issues. While practically all of the copper bonds are still well above the low points touched in January of this year, they have been particularly sensitive in late market sessions as a result of the unsatisfactory trade position in the industry.

With the price of the metal down to 12 cents, the lowest level reached since February, 1914, and with consumers still showing no tendency to come into the market, there is a feeling of uncertainty in the trade, and it is felt that prices must react to a still lower level before demand will be stimulated. Suspensions of divi-

dend payments by some of the more prominent producers and reductions in disbursements by others have added to the uncertainty. Production figures that have recently come to light show that curtailment has been carried to a point where no further reduction is possible, unless the mines are shut down completely. This feeling of uncertainty was reflected in weakness in the copper shares as well as the bonds.

The two bond issues of Chile Copper were affected more than the others, with the selling unusually heavy in the convertible 6's due in 1932. These bonds sold down close to 68 as compared with a high of 75 made in January of this year. There was some liquidation in the convertible 7's but these bonds were relatively steady.

In view of the present unsettled state of the copper market, some doubt is felt over the adequacy of the security behind the notes of the Copper Export Association, which were brought out in February. These notes have behind them as security 400,000,000 pounds of the metal taken at a value of 10 cents a pound. When they were issued, copper was selling at 12½ cents a pound. The decline of ½ cent that has taken place in the price of the metal reduces the margin of safety some $2,000,000 which evidently has been a matter of much concern to some of the note holders, judging from the heavy trading in the four different maturities. Up to the present time there has been no substantial falling off in the price of the notes, but it will be interesting to observe the effect of any further decline in the quotation for copper. With any quickening of the demand for the metal, the margin of security behind the notes will, of course, be increased regardless of any change in the present quotation, since whatever metal is sold will be available for paying off the notes, at a price representing the difference between 10 cents and the selling price of the copper.

Among the other copper bonds there has been a fair volume of transactions in the Anaconda 7's due in 1929 and the Cerro de Pasco 8's due in the same year, but prices of these issues have not receded to any great extent. The latter bond is highly regarded by investors and the bright future of the issuing company together with the attractive yield which the notes now return will probably serve to maintain the price close to the prevailing level.

Oil Bonds Hold Up Well

Of the industrial bonds the issues put out during the last few months by the independent and Standard Oil companies have held remarkably well in the face of the reduction in the price of crude and the heavy selling of oil shares on the exchange. The strength of these bonds has been one of the outstanding features of the market, but it should really occasion no comment since the huge assets behind these securities together with the large margin of safety in earnings back of them entitles the bonds to an unusually high investment rating. The Standard Oil bonds have given ground scarcely at all and the excellent yields obtainable on these issues should entitle them to the careful consideration of investors having available funds at this time. The Standard Oil of New York and Standard Oil of California 7's are especially worthy of consideration. They should eventually go to a substantial premium. Anglo American 7½'s are down some two points from the high of the year, but they are still selling close to par. The recent dissolution of the syndicate which underwrote the 7% bonds of the Gulf Oil Corporation caused a break in these securities to 93½ as compared with their offering price of 98. They have since recovered some of the lost ground, however.

An Interesting Feature

An interesting development of late bond market sessions has been the heavy buying and upward tendency of a number of the traction bonds. Such issues as the Hudson and Manhattan Adjustment and Refunding 5's, the Third Avenue Adjustment 5's, the Interborough Metropolitan 4½'s, the Interborough Rapid Transit Refunding 5's and the United Railroads of San Francisco 4% Certificates have stood out prominently and have displayed strong resistance to the downward tendency in the balance of the list. The upward movement in the local traction issues may, of course, be attributed to the expectation that favorable legislation will soon be passed, which will go far toward solving the New York City transit problems. Such legislation, if enacted, should result in further improvement in most of these issues. The strength of the United Railroad of San Francisco 4% certificates was in anticipation of the exchange of these certificates into new securities having a much greater intrinsic worth and consequently higher quotations in prospect.

Bond Prices Due for Advance

As to the future trend of security values the opinion is practically unanimous that the prices of all issues bearing a fixed rate of interest must inevitably seek a much higher level. A substantial recovery in bond prices is mainly dependent upon lowering interest rates and present prospects point to much cheaper rates in the very near future. The announcement that the British Treasury had reduced the rate on its bills from 6½% to 6% may be accepted as a forerunner of a reduction in the Bank of England rate and a general lowering of money rates. The British Treasury bills correspond in many respects to the certificates of indebtedness issued at intervals in this country by the treasury department. Some time ago the treasury announced a reduction in the interest rates on the long term certificates and now the twelve-month certificates carry 5¾% interest as compared with 6% on previous issues of the same period of length.

This slight reduction in the interest rates on the offerings of both Great Britain and this country is highly significant and gives rise to the belief that a period of cheap money is ahead.

The Clearing House banks have recently been reporting satisfactory gains in their surplus items and a noticeable contraction in loans. In addition there has been a continued rise in the Federal Reserve Board ratio. The Secretary of the Treasury has gone so far as to issue a statement to the effect that the tendency of bank rates will be downward and the above facts tend to substantiate this statement.

Will Federal Reserve Rate Be Lowered?

A consideration of the above factors leads to the supposition that the Federal Reserve Bank, will before long, reduce its discount rate. Such a development would be a decidedly favorable factor and would necessarily be followed by a substantial upturn in the prices of bonds and notes. The bond market for a long time has been handicapped by the abnormally high cost of new financing. Corporations even of the best standing have been forced to pay from 8% to 10% for their financial requirements and these high rates have been prohibitive in a great many cases. A change for the better in this connection would undoubtedly be in the signal for a prompt and sustained advance in the prices of all bond issues, which might very well extend over a period of several years. Bond prices would respond very readily to any lowering of interest rates for long term bonds and such a fall in rates would no doubt afford the stimulus that the market has needed.

Now that the tax payments are out of the way, and the bond market has had a breathing spell in which to recover from the heavy output of new securities there is every reason to believe that a pronounced recovery will set in based on the prospect that money rates will work easier. The lull in new financing and the small set-back in prices has left the market in excellent shape to resume the upward movement which started in May of last year and the general outlook may be said to be more promising than has been the case for many months.

COMPANIES WHOSE SECURITIES ARE ANALYZED IN THIS ISSUE

Railroads	
Atlantic Coast Line	760
Baltimore & Ohio	759
Ches. & Ohio	759
Chic. R. I. & Pacific	760
Chic. & N. Western	759
Cleve., Cin. & Ohio	759
Del. & Hudson	759
Del. L. & Western	759
Erie	760
Lehigh Valley	759
N. Y. Central	759
Norfolk & Western	759
Missouri Pacific	759
Pere Marquette	760
Pennsylvania	759
Reading	771
Seaboard Air Line	760
Southern R'way	760
St. L. S'western	760
Tex. & Pacific	760
Wabash	760
Industrials	
Atlantic Fruit	771
Central Leather	763
Midvale Steel	771
Pathe Freres Phonograph	792
Studebaker Corp.	765
U. S. Steel	756
Public Utilities	
North American Co.	—
S. Cal. Edison	—
Standard Gas & Electric	778
Mining	
American Smelting	781
Alaska Gold	780
Alaska Juneau	780
Butte Copper & Zinc	781
Butte & Superior	781
Callahan Zinc	781
Homestake	780
National Lead	781
Ontario Silver	780
Roud Mines	781
Petroleum	
Atlantic Gulf	783
S. O. of N. Y.	771

A Bond for Widows and Orphans

Sinking Fund Gold 5's of U. S. Steel Corporation Combine Security with Profit Possibilities—Operation of the Sinking Fund

By J. R. CRANDALL

THIS article is written for the benefit of widows, orphans, guardians, trustees, and, in fact, any individuals who must consider "safety of principal" above everything else in the selection of their investments. The bond we are about to draw attention to is generally considered so safe that the average run of investors fail utterly to appreciate the splendid speculative features which are presented, practically without risk. We are referring to the United States Steel Corporation 10-60 Year Sinking Fund Gold 5s, popularly known as "Steel Sinkers," and in the following paragraphs these bonds are discussed, first, from the standpoint of their safety, and, secondly, as to their speculative possibilities.

TABLE I.—STEEL'S BALANCE AFTER INTEREST.

	Income Available for U. S. S. Bonds	Interest on U. S. S. Bonds	*Balance Available for Dividends
1910	$110,857,069	$23,366,700	$87,487,185
1911	76,326,440	23,106,928	56,300,296
1912	77,075,215	22,517,471	54,240,049
1913	106,320,692	23,216,066	81,216,985
1914	46,520,408	23,145,618	23,496,765
1915	97,967,922	22,399,944	75,533,833
1916	294,096,565	22,619,504	271,531,730
1917	244,738,908	22,120,151	224,219,565
1918	158,631,856	21,733,983	137,532,377
1919	96,943,136	21,442,772	76,794,553
1920	151,702,194	20,942,471	131,703,194

*After deducting sundry credits.

Originally Issued in 1903

These bonds were originally issued in April, 1903, two years after the formation of the company, in amount of $200,000,000, and at December 31, 1919, $176,393,000 were outstanding, the balance having been redeemed by the sinking fund. They are a direct obligation of the company, and are secured by a lien on all the property, bonds, stocks, etc., of the company, now owned or hereafter acquired, subject to the 50-Year 5s of 1951. These 50-Year 5s of 1963 were originally issued in amount of $304,000,000 to the late Andrew Carnegie as a proportionate payment for his holdings in the Carnegie Steel Co., one of the consolidating companies of the United States Steel Corporation, and at the end of 1919 they were outstanding in amount of $230,709,000, but as they are all more or less closely held there is little public interest in them. In addition, there are also outstanding $195,107,725 bonds and miscellaneous obligations of subsidiary companies.

The United States Steel Corp. came into existence on February 5, 1901, when it was incorporated under the laws of the State of New Jersey. The creation of the company represented a consolidation of thirteen companies engaged in various phases of the steel industry and its branches, and thereafter sixteen other concerns were absorbed. To relate in detail the conditions surrounding this consolidation would require page upon page, but for our purposes it is sufficient to say that the merger brought about a termination of competitive strife which was rapidly undermining the companies at interest and created a thoroughly integrated organization, the largest of its kind the world has ever seen. Fortunately for the project, the right men were at hand and interested in its success, and, above all, the active support of the late J. P. Morgan, the most forceful personality ever in Wall Street, probably did more than anything else to make the corporation the ultimate success that it has proven.

Holdings of the Steel Corporation

The tremendous size of the United States Steel Corp. today may best be realized by a summary of its integral parts, which at the close of 1919 were reported by the company as follows:

- 124 Blast furnaces
- 38 Bessemer converters
- 335 Open hearth furnaces
- 49 Blooming, large billet or slabbing mills
- 15 Small billet or sheet bar mills
- 10 Rail mills
- 9 Universal plate mills
- 15 Sheared plate mills
- 14 Structural shape mills
- 24 Wire rod mills
- 14 Skelp mills
- 84 Merchant mills
- 222 Hot mills—black plate for tinning
- 155 Sheet, jobbing and plate mills
- 16 Piercing and rolling mills
- 22 Wire drawing mills
- 14 Nail mills
- 13 Barbed and twisted fence depts.
- 14 Woven fence depts.
- 3 Spring works
- 5 Rope and electrical works
- 48 Welding pipe furnaces
- 3 Seamless tube mills
- 18 Bridge and structural plants
- 30 Galvanizing depts.
- 21 Tinning depts.
- 5 Splice bar and rail joint shops
- 5 Spike, bolt or nut factories
- 4 Depts. for cold rolled products
- 21 Iron, steel and brass foundries
- 12 Sulphate of iron plants
- 5 Cement plants
- 66 Warehouses
- 41 Miscellaneous works and depts.

In addition the corporation owns over 135 various iron ore mines, more than 675,000 acres of coal lands, in connection with which there are over 27,000 coke ovens operated; 29 railroads, having a total of 1,002 miles of main track and a total trackage of 3,774 miles; gas and oil properties, which in 1919 produced over 16,000,000,000 cubic feet of natural gas, 137,315 barrels of crude oil and 1,068,879 gallons of gasoline; two shipbuilding plants, having twenty shipways and an annual capacity of forty completed 10,000 ton ocean-going steamers; 62,258 locomotives and railroad cars; 96 steamers, 237 barges, tug boats, keg boats, scows, docks, terminals, etc.

Assets Behind the "Sinkers"

According to the balance sheet, dated December 31, 1919, the company's assets, available for the Sinking Fund 5s of 1963, were as follows:

Cash items	$326,666,284
Receivables	118,832,426
Inventories	226,796,678
Total current assets	$672,295,388
Less current liabilities	157,071,263
Working capital	$515,224,125
Property account, less reserve	1,439,590,869
Mining royalties	54,195,686
Investments	8,745,228
Sinking funds	54,764,134
Deferred charges	2,220,398
Total net assets	$2,074,740,440
Less:	
Subsidiary bonds, etc.	$195,107,725
5% Bonds of 1951	230,709,000
Total underlying obligations	$425,816,725

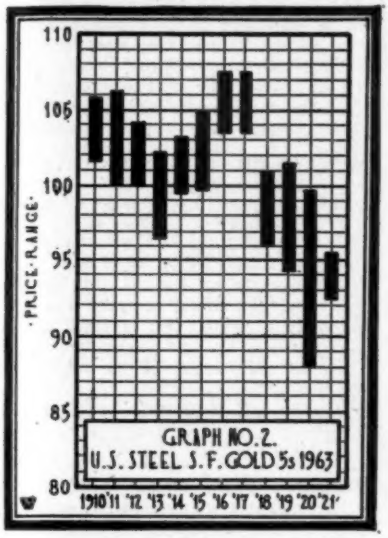
TABLE II.—APPROXIMATE YIELD OF "SINKERS" AT 93.

Figures Based on Assumption that the S. F. 5s of 1963 Will Be Redeemed at 110 by 1956.

If Redeemed in	Annual Return %	Annual Proportion of Appreciation %	Approximate Yield %
1922	5.37	17.00	22.37
1923	5:37	8.50	13.87
1924	5.37	5.67	11.04
1925	5.37	4.25	9.62
1926	5.37	3.40	8.77
1927	5.37	2.83	8.20
1928	5.37	2.43	7.80
1929	5.37	2.12	7.49
1930	5.37	1.89	7.26
1931	5.37	1.70	7.07
1932	5.37	1.55	6.92
1933	5.37	1.42	6.79
1934	5.37	1.30	6.67
1935	5.37	1.21	6.58
1936	5.37	1.13	6.50
1937	5.37	1.06	6.43
1938	5.37	1.00	6.37
1939	5.37	.94	6.31
1940	5.37	.89	6.26
1941	5.37	.85	6.22
1942	5.37	.81	6.18
1943	5.37	.77	6.14
1944	5.37	.74	6.11
1945	5.37	.71	6.08
1946	5.37	.68	6.05
1947	5.37	.65	6.02
1948	5.37	.63	6.00
1949	5.37	.61	5.98
1950	5.37	.59	5.96
1951	5.37	.57	5.94
1952	5.37	.55	5.92
1953	5.37	.53	5.90
1954	5.37	.51	5.88
1955	5.37	.50	5.87
1956	5.37	.49	5.86

Total net assets available for S. F. 5s of 1963 ....$1,648,923,715
Sinking Fund 5s outstanding 176,393,000

As the company has not as yet made public its annual report for the past year it is impossible to give the exact amount of assets behind the "Sinkers" as of December 31, 1920. However, the four quarterly statements of earnings for the year 1920 show a total surplus, after all charges and dividends, of $59,501,303, which when added to the net assets available for these bonds at December 31, 1919,



shown above, would give $1,708,425,018. Thus the indicated equity for the Sinking Fund 5s of 1963 at the present time is over 1,000% or more than $10,000 for each $1,000 of bonds outstanding.

Steel's Earning Power

The earning power of the corporation is almost equally as strong as it is rich in assets. The 7% dividend on the $360,281,100 preferred stock has been paid without interruption since organization and the common stock, outstanding in amount of $508,302,500, has received dividends aggregating 94½%, an average annual rate since incorporation of 4¾%. In only three years, 1904, 1905 and 1915 were dividends on the common omitted altogether and in 1917 and 1918 the disbursements were as high as 16¾% and 16% respectively.

Table I gives the net earnings available for interest on both issues of U. S. Steel Bonds, for the past eleven years, after all other charges including depreciation, taxes, and interest on subsidiary companies' debt had been deducted. In every year a wide margin of safety is shown over the interest requirements. This great earning power has existed since the formation of the company and while the earnings have fluctuated with the prosperity of the country there has never been a time when the bond interest was in danger.

The methods and efficiency of the management are expressed clearly in the general policy. Year after year huge sums have been put back into the business out of earnings and since organization, in spite of the many acquisitions and improvements, the issuance of securities for corporate purposes has been negligible; the body of the company is all bone and muscle. It is this high degree of efficiency on the part of the management that has been the vital element in the company's past success and that has made it not only the largest industrial combination in the world but first in fitness and efficiency of its physical equipment.

Speculative Features of the Bonds

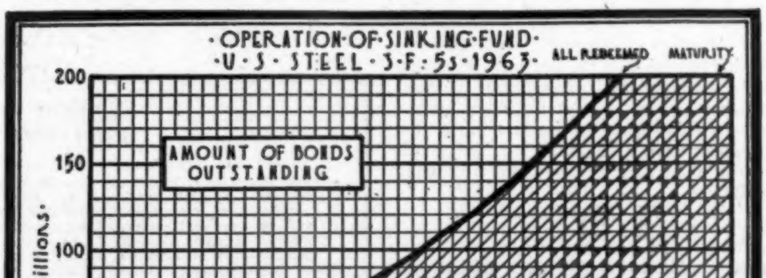
So much for the strength of the company, its assets and earning power, and the safety of the "Sinkers." The speculative opportunities in the bonds are brought about by the sinking fund provisions under the indenture, which provide:

> On April 1, 1904, and annually thereafter, the company shall pay to J. P. Morgan & Co., sinking fund trustees, the sum of $1,010,000. All moneys in the sinking fund shall be applied to the purchase of this issue at not exceeding 110 and interest. If at any time prior to April 1, 1913, bonds cannot be purchased at this figure, the fund may be applied to the purchase of other securities under certain restrictions. After April 1, 1913, if sinking fund trustees shall hold a sum in case exceeding $100,000 they may, and if requested by the Steel ompanCy they shall, apply the funds to the redemption of these bonds at 110 and interest by lot. All bonds acquired by the sinking fund shall be held alive and interest thereon added to the fund. No registered bonds can be drawn while any coupon bonds are outstanding.

Up to the end of 1919, $23,607,000 par value of these bonds had been redeemed and were in the possession of the sinking fund trustees. As the sinking fund provides that all bonds redeemed must be kept alive and the interest received therefrom applied to the redemption of additional bonds, the moneys available for the redemption of bonds in 1920 amounted to the specific sum of $1,010,000 plus 5% interest on the bonds held by the trustees, or roughly $1,180,000, making a total of approximately $2,190,000. It is therefore plain that as the total amount of bonds redeemed increases the amount available for the redemption of additional bonds will be proportionately increased in each succeeding year.

The writer has calculated the operation of this sinking fund to the finish and has arrived at the rather startling result that by 1956, seven years before the maturity date, the entire issue will have been redeemed. (See Graph 1.) And none the less startling is the realization that a purchaser of these bonds is assured of receiving within the next thirty-five years payment of his bond at the rate of 110% of par, that is $1,100 per $1,000 bond.

At the recent price of 93 a purchaser must eventually make a profit of 17 points but, of course, just when he will be able to realize this profit will depend upon what luck he has under each annual drawing. However, as this article is written for the "Simon Pure" investor the bonds should be attractive even if the bond he held proved the very last one to be redeemed. Table II shows the approximate yield that would be obtained on an investment at 93 for each year's redemptions under the sinking fund. The annual interest return at this price amounts to 5.37% and to this must be added the proportionate annual amount of the 17 points profit to give the approximate yield. Thus if a purchaser were fortunate enough to have his bond redeemed the first year after he bought it the yield on the investment would amount to 5.37% return plus 17 points profit, a total of 22.37%; if his bond were redeemed in five years he would receive the annual return of 5.37% plus 3.40% (5 years divided into 17 points profit), an approximate yield of 8.77%; while if it ran for the full 35 years the approximate yield would amount to 5.86% (5.37 plus .49).



As will be seen from the chart giving the price range of these bonds they are selling at the present time very near their low mark. The security of the issue is unquestionable and they can be purchased without the slightest feeling of apprehension. In addition the speculative possibilities are attractive but even if a bond should run the full 35 years a yield of nearly 6% is very fair indeed in a security of this character.

The Trend of Recent Financing

Lull in Number of Issues Being Brought Out—Tendency Toward Better Public Demand—Recent Issues Analyzed

DURING the first two months of this year corporate financing by railroad, industrial and public utility corporations reached a total of approximately $525,000,000. More than one-half of this amount was accounted for by industrial issues; thus indicating to what extent the industrial concerns of this country were affected by the business readjustment of last year and the accompanying fall in commodity prices. Beginning about the middle of February, however, there was a noticeable falling off in the output of new issues and since that time there has been only a comparatively small amount of new securities sold. This lull in financing is evidently not due to any shortage of available offerings, since reports indicate that there are any number of industrial companies that have been carrying on negotiations with bankers with a view to taking care of their financial needs. It is felt, however, that investment conditions at the present time are not conducive to the successful flotation of new securities, and consequently numerous loans are being withheld by bankers until the investment market shows definite signs of improvement.

Bond dealers have taken advantage of this breathing spell to put their shelves in order and many of them report that they have made excellent progress in disposing of some of the heavy obligations they had taken on in connection with recent underwritings. While numerous dealers are probably still loaded up with issues that they have found difficulty in disposing of, there is no doubt but that their position has been greatly improved by the recent lull in the investment market and that they are now in excellent shape to handle any new offerings that come along. In view of this reduction in the dealers' obligations and the improved investment demand which is certain to set in following the expected lowering of interest rates, the prospects for new financing are much better than they have been for many months.

The New Issues

Analysis of the new issues that have been brought out in the course of the past two or three weeks shows that industrials still occupy the prominent position. Practically all of the industrial issues sold are unusually attractive securities, well secured and amply protected from the standpoint of earnings. The yields obtainable on their purchase still reflect the high interest rates that corporations have been forced to pay for loans. A number of high grade public utility companies have sought funds in the market and have afforded investors an opportunity to derive a high yield with every assurance of safety. Numerous small issues of municipal bonds have been offered to investors at yields ranging from 4.83% in the case of the City of Philadelphia 3½s to 5.85% in the case of other cities of not so high credit. The State of San Paulo (Brazil) 8% bonds, offered in this country by a group of bankers on a 8.47% basis, made strong appeal to investors. Details of a few of the issues recently brought out are given in table herewith.

CUBAN AMERICAN SUGAR 1ST MORTGAGE COLLATERAL 8s

These bonds are outstanding in the amount of $10,000,000 and were offered by a prominent investment institution at par. They run for ten years and thus yield a satisfactory return for a fairly long period. The proceeds of the loan will be used to reduce bank loans, to take up notes and accounts payable and to increase working capital. These bonds have numerous attractive features surrounding them which place them on a sound investment plane. In the first place they are secured by $16,000,000 in first mortgage bonds of the various Cuban subsidiaries of the company, which have assets in excess of $35,000,000. Second, a clause in the indenture states that net quick assets must at all times be kept equal to the par value of these bonds. At present these net current assets are in the neighborhood of $23,000,000. In addition the bonds are subject to a sinking fund which provides for the retirement of $1,000,000 par value each year or $250,000 quarterly. Such bonds as are required to be retired must be purchased in the open market at a price up to as high as 105. This sinking fund will naturally tend to maintain a satisfactory market for the issue at all times. Other factors besides the above add to the investment standing of these bonds and there is little doubt but that they will attain a high rank among industrial securities.

The offering of these bonds represents the first sugar financing in a year. In this connection it is interesting to observe the position of American Sugar as regards possible new financing. This company's balance sheet at the close of last year showed an inventory item of $45,400,000, an increase of some $30,000,000, and a bills payable item of over $27,000,000, compared with practically nothing at the close of 1919. In addition there was a shrinkage in cash of about $20,000,000. The inference, of course, is that American Sugar last year made free use of the banks to take care of its large holdings of sugar, an entirely new departure for the company. These heavy bank loans will naturally be reduced as the unsold sugar is disposed of, but the question is as to whether or not the banks will be willing to carry this burden indefinitely and thus render new financing unnecessary. It might be added, however, that the company was carrying some $14,000,000 of Liberty bonds at the close of last year and in an emergency the proceeds from the sale of these bonds would go a long way toward relieving the situation. Nevertheless the company's balance sheet shows a weak position and it would not be surprising if the company a little later on should resort to new financing. A large percentage of the inventories is carried at cost, and any marking down of the value of the sugar carried would still further weaken the company's finances.

HUMBLE OIL & REFINING 2-YR. 7s

These notes were offered to the public at 99 to yield about 7.55%. They are an ideal investment for one who desires to place his funds for a short time only. While they are not secured, they are the obligation of a strong company and have an equity of $50,000,000 in stock behind them based on current market quotations. There are $25,000,000 of the notes outstanding as compared with the company's investment of $54,000,000 in plant and equipment and total assets of approximately $111,000,000.

SHARON STEEL HOOP 1ST MORTGAGE SINKING FUND 8s

These are 20-year bonds and are secured by direct first mortgage on the entire physical properties of the company now carried on the books at over $10,000,000. A recent appraisal placed the value of these properties at $6,000,000 above the balance sheet figure. Current assets of the company at the close of last year were close to $7,000,000. Interest charges on this issue are covered by an unusually large margin and the excellent security leaves little doubt as to their investment worth. In spite of their high rank, however, they were offered to investors on an 8% basis. Proceeds of the issue will be used to retire all underlying bonds, to reimburse the treasury for expenditures for additions and improvements, and to provide additional working capital.

(*Continued on page 768*)

CURRENT BOND OFFERINGS

Issue	Maturity	Offering Price	Offering Yield
GOVERNMENT, STATE, MUNICIPAL.			
$10,000,000—State of San Paulo (Brazil) Sink. Fd. 8s	1936	97½	8.47%
2,000,000—City of Philadelphia, Pa., 3½s	1921-34	To yield	4.83
525,000—City of Dayton, O., Sch. Dist. 5½s	1941-61	To yield	5.30
487,000—City of Knoxville, Tenn., Ref. 6s	1922-46	To yield	5.85 to 5.50
885,000—Atlantic City, N. J., 6s	1924-26-27	To yield	5.70
500,000—City of Memphis, Tenn., 6s	1921	99¾	6.50
PUBLIC UTILITIES.			
$2,500,000—Los Angeles Gas & Electric Gen. & Ref. 7s	1926	98¼	7.40
2,000,000—California Oregon Power 1st & Ref. 7½s	1941	100	7.50
2,500,000—Shawinigan Water & Power 1st Ref. 6s	1950	90½	6.75
7,000,000—San Joaquin Lt. & Power Unif. & Ref. 7s	1922 to 26-51	To yield	6.00 to 7.20
INDUSTRIALS.			
$10,000,000—Cuban-American Sugar 1st Collat. 8s	1931	100	8.00
5,000,000—Sharon Steel Hoop 1st Mtg. 8s	1941	100	8.00
25,000,000—Humble Oil & Refining Two-year 7s	1923	99	7.55
10,000,000—Empire Oil Purchasing Two-year 7s	1923	100	7.00

Railroads

Bonds and Stocks

Railroad Situation Critical

Reports for January Show Heavy Decline in Traffic, With No Reduction in Operating Expenses —High Freight Rates a Deterrent to Business—What Is the Solution?

By ARTHUR J. NEUMARK

RAILROAD returns for January, 1921, fully vindicate Mr. Atterbury's prediction that 36 roads would fail to cover operating expenses, and 28 fall short of covering fixed charges. Such standard roads as Pennsylvania, New York Central, Chicago & North Western, Great Northern, Louisville & Nashville, Northern Pacific, Southern and Union Pacific reported a deficit before fixed charges in January; while the great majority of those roads which reported net operating income did not earn sufficient to cover their fixed charges. Since the new rates went into effect only four of the large carriers are earning at a rate sufficient to cover their common dividend requirements. The four are Delaware & Hudson; Illinois Central; Delaware, Lackawanna & Western; and Union Pacific. Union's earnings for the four months to December 31, 1920, were substantial enough to offset the heavy decline in January.

The Railroads' Problem

The problem that confronts the rails is indeed a serious one. The increase in freight rates came at a time when prices were declining and business in general was suffering from the sudden transition from prosperity to depression. The result was inevitable. Business was unable to carry the extra burden of increased shipping rates and consequently the roads found that, instead of relieving the situation, the new rates acted as a restraint on transcontinental and interstate traffic. From a car shortage in October, 1920, there developed a surplus of almost 400,000 cars in less than six months.

To meet this situation, the roads cannot lower rates with wages at their present levels. Obviously, the only solution then is the one that the roads are now attempting to adopt, and that is to reduce and readjust wage scales.

Operating expenses must be reduced. The real ailment of the rails lies not so much in the decline of traffic as in the enormous percentage of each dollar of revenue that operating expenses consume. In the latter part of 1920 wages alone consumed 62% of gross, compared with 43% in 1917, an increase of 19%; and total operating expenses for the year averaged well over 80% on the Class I carriers.

Economists will tell you that until equilibrium is obtained between prices and wages the readjustment period will not have run its course. We cannot have one line completely out of proportion to another. The scales must balance, and until wages are reduced it will be impossible to get the industrial machinery of the country working smoothly and on a sound economic basis.

The present freight rates are out of line with prices in general. An incentive, in the form of lower shipping costs, must be given to business. However, as said before, this cannot come about until there is a reduction in the railroad payroll, and the inequalities of the same flat rates for all roads, as inaugurated by the Labor Board, has been straightened out.

The industrial recovery of the country waits, to a large extent, upon the settlement of the railroad dilemma. A reduction of freight rates would be a powerful stimulant to business, but the roads must first meet with some success in their efforts to reduce operating costs.

The results of operations for the five months to January 31, 1921, were as follows:

EASTERN ROADS

CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS earnings are still running considerably ahead of the road's government guarantee. For the five months earnings were at the annual rate of $12,093,700, compared with a rental of $9,938,597.—vol. 27, p. 382.

DELAWARE & HUDSON continues to make an excellent showing. Gross for January held up very well in comparison with other eastern roads, amounting to $4,126,239 compared with $4,761,775 in the previous month. Earnings for the five months to January 31st were at the annual rate of $7,363,700, compared with a government guarantee of $7,415,149.—vol. 27, p. 537.

DELAWARE, LACKAWANNA & WESTERN is another road operating at a substantial profit. Although gross declined 18.8% from the previous month, the road was still able to report net operating income of $571,569. Earnings for the five months were at the annual rate of $13,423,000, compared with a standard return of $15,749,477.—vol. 27, p. 537.

ERIE reported a deficit of $779,000 before fixed charges for the month of January, which entirely wiped out the net operating income accumulated for the four months to December 31, 1920, and left a deficit of $259,373 before fixed charges for the five months to January 31st. Unless there is a sudden turn for the better it is difficult to see how this road can escape receivership.—vol. 27, p. 538.

NEW YORK CENTRAL had a very poor month in January. Gross declined over 11½% from the previous month, and the road reported a deficit of $256,837 before fixed charges. Earnings for the five months were at the annual rate of $29,075,000, or at the rate of 84% of fixed charges, compared with a standard return of $57,690,588.—vol. 27, p. 382.

NEW YORK, ONTARIO & WESTERN is earning at the annual rate of $746,000, or less than 67% of fixed charges. Government guarantee amounted to $2,103,589.—vol. 27, p. 538.

PENNSYLVANIA is suffering the most severe setback of any of the eastern carriers. In December the road operated at a deficit of $307,522 and in January at a deficit of $1,153,667 before fixed charges. Gross for January amounted to $44,640,210 compared with $52,596,067 in the previous month. Earnings for the five months, including the operations of the Pittsburgh, Cincinnati, Chicago & St. Louis Railroad, were at the annual rate of $30,000,000, less than 39% of the government guarantee and only sufficient to cover about 85% of fixed charges. Only recently Pennsylvania issued $60,000,000 6½% gold bonds, placing a further burden of $3,900,000 in annual interest charges upon the road. These unfavorable factors caused the most sensational break in the company's capital stock in the history of the road. At $35 a share Pennsylvania stock established a record low price.—vol. 27, p. 592.

COAL CARRIERS

BALTIMORE & OHIO earnings declined considerably in January. Coal traffic has been very light due to an extremely mild winter and B. & O.'s gross fell from $21,074,825 to $17,856,152, a decline of over 15%. For the five months earnings were at the annual rate of $17,917,000, insufficient to cover fixed charges, compared with a rental of $28,105,647.—vol. 27, p. 724.

CHESAPEAKE & OHIO is making about the best showing of any road. Earnings for the five months were at the annual rate of $17,730,000, compared with a government guarantee of $14,588,579.—vol. 27, p. 681.

LEHIGH VALLEY operated at a large deficit in January. Earnings are now only running at the annual rate of $5,661,700 or about 50% of the standard return.—vol. 27, p. 383.

NORFOLK & WESTERN earnings improved considerably in January. Although gross declined from $8,451,199 in the previous month to $7,436,716, net was only $300,000 less. In comparison with the majority of roads this is an extremely satisfactory showing. Earnings are running at a rate just sufficient to cover the 7% dividend on the common stock.—vol. 27, p. 681.

SOUTHERN LINES

Atlantic Coast Line earnings for the five months were at the annual rate of $5,900,000, compared with a standard return of $10,180,915. Gross for January was approximately 19% below the previous month.—vol. 27, p. 538.

Louisville & Nashville earnings have been declining rapidly and steadily. In November net amounted to $904,166, and in the following month to $423,220. January, however, was the poorest operating month the road has had since the new rate went into effect, the deficit before fixed charges amounting to $587,421. The decline in net was much more severe than in gross. Gross for January amounted to $10,142,182, compared with $11,254,142 in the previous month. Earnings for the five months were at the annual rate of $5,900,000 or about 33 1/3% of the government guarantee.—vol. 27, p. 562.

Seaboard Air Line's earnings held up remarkably well in comparison with the other southern roads. The road is now earning at the annual rate of $6,854,000, compared with a standard return of $6,497,025.—vol. 27, p. 693.

Southern Railway suffered a severe set-back in January. Gross declined from $12,579,431 in the previous month to $10,692,929, or 15%, and reported a deficit of $626,055 before fixed charges, compared with net of $723,089 in December. Earnings for the five months were at the annual rate of $6,900,000, compared with a rental of $18,653,893.—vol. 27, p. 538.

SOUTHWESTERN ROADS

Chicago, Rock Island & Pacific operated at a deficit before fixed charges in January. Earnings for the five months were at the annual rate of $9,000,000, compared with a government guarantee of $15,800,255.—vol. 27, p. 538.

Missouri Pacific reported gross earnings of $9,552,340 in January compared with $10,694,687 in the previous month, and net declined from $1,354,844 to $340,627. Earnings for the five months were at the annual rate of $12,113,000, compared with a standard return of $14,206,814.—vol. 27, p. 538.

St. Louis Southwestern's January earnings, in common with all roads, were below the excellent record of the previous months. Gross declined from $2,675,840 in December to $2,152,414 in January, a decrease of 19%, and net was practically cut in half. Earnings for the five months, however, are still running considerably ahead of the government guarantee.—vol. 27, p. 538.

Texas & Pacific gross earnings declined from $4,255,221 in December to $3,538,497 in January, and net from $502,145 to $182,175. For the five months earnings were at the annual rate of $4,280,000, compared with a rental of $4,107,432.—vol. 27, p. 538.

WESTERN CARRIERS

Chicago & North Western's January statement was exceedingly poor. The deficit before fixed charges was approximately $1,000,000 greater than in the previous month, amounting to $1,279,561. Gross declined 10% from the previous month. Earnings for the five months were at the annual rate of $10,000,000, or approximately 43% of the government guarantee.—vol. 27, p. 576.

Great Northern earnings took an enormous drop in January. There was a greater loss in traffic on this road than on any system in the country. Gross declined from $9,827,633 in December to $6,279,240 in January, a decrease of 36%, and from a net income of $530,168 the road reported a deficit of $1,555,177 before fixed charges. For the five months earnings were at the annual rate of $15,290,000, compared with a rental of $28,666,681.—vol. 27, p. 384.

Illinois Central made the best showing of any road in January. Although gross declined over 15%, net operating income increased from $965,330 in December to $2,053,528 in January. Illinois Central's record for the five months to January 31 stands out in bold relief in comparison with most any system. Earnings are at the annual rate of $20,290,000, compared with a standard return of $17,896,467.—vol. 27, p. 538.

Minneapolis & St. Louis earnings for the five months were at the annual rate of $1,300,000, which is just about sufficient to cover 50% of the road's fixed charges, compared with a standard return of $2,706,994.—vol. 27, p. 621.

Northern Pacific was a close second to Great Northern in a heavy decline of traffic. Gross amounted to $6,460,094, compared with $9,159,871 in the previous month. The road operated at a deficit of $432,316, compared with net of $1,144,952 in December. For the five months earnings were at the annual rate of $15,400,000 compared with a rental of $30,057,760.—vol. 26, p. 576.

NORTH CENTRAL ROADS

New York, Chicago & St. Louis is another road which made a comparatively good showing in January. Gross only declined 8%, and net operating income amounted to $470,462, compared with a deficit of $243,298 before fixed charges in December. Earnings for the five months were at the annual rate of $2,666,700, compared with a government guarantee of $2,218,857.—vol. 27, p. 313.

Pere Marquette had a very poor month in January, but February should show some improvement as a result of the increased activity in the automobile industry. Gross declined from $3,101,663 in December to $2,404,554, a decrease of over 22%. The road reported a deficit of $290,145 before fixed charges, compared with net operating income of $203,928 in the previous month. Earnings for the five months were at the annual rate of $3,521,500, or slightly less than the government guarantee.—vol. 27, p. 538.

Wabash gross earnings declined from $5,705,328 in December to $4,717,017 in January. The road reported a deficit of $145,114, compared with net of $378,455 in the previous month. Earnings for the five months were at the annual rate of $3,843,000, compared with a standard return of $5,786,352.—vol. 27, p. 461.

(*Continued on page 762*)

RESULTS OF FIVE MONTHS' OPERATION OF PRINCIPAL RAILROADS.

The table below shows the annual rate earned by 34 of the principal railroads for the five months from September 1, 1920, to January 31, 1921, as applied to their fixed charges (interest on bonds or rentals) or their preferred or common stocks, as the case may have been. The five months are deemed to represent about 44% of the year's traffic—the ratio that obtains in normal years. Other income (such as dividends, interest, hire of equipment and joint facility credits) and other charges (such as taxes, hire of equipment and joint facility debits) for 1919 were taken, except in the case of Atchison, where unusual income was known to exist, and Pennsylvania, where later figures were available. In the case of the former 1918 was taken and in the latter 1920.

System	Annual Divd. Rate on Common (%)	EARNINGS. $ Per Share on Com.	$ Per Share on Pfd.	% of Fixed Charges Earned
Atchison	6%	(x) $5.80	....	..
Atl. Coast Line	7	4.50	....	..
Baltimore & Ohio	..	....	....	91%
Chesapeake & Ohio	4	15.00	....	..
Chicago Great Western	..	....	....	15
Chic., Milwauk., & St. Paul	..	....	....	50
Chicago & North Western	5	....	$3.50	..
Chic., R. I. & Pacific	..	....	....	53
Cleve., Cin., Chic. & St. L.	..	11.25	....	..
Delaware & Hudson	9	10.90	....	..
Delaware, Lack. & Western	(a) 20	15.85	....	..
Erie	..	....	....	(b)
Great Northern	7	....	(c) 3.50	..
Illinois Central	7	13.15	....	..
Kansas City Southern	..	(x) 7.70	....	..
Lake Erie & Western	..	....	....	52
Lehigh Valley	(a) 7	....	....	90
Louisville & Nashville	7	....	....	97
Minneapolis & St. Louis	..	....	....	50
Missouri Pacific	..	....	2.50	..
New York Central	6	....	....	84
N. Y., N. H. & Hartford	..	....	....	(d)
N. Y., Ontario & Western	1	....	....	68
Norfolk & Western	7	7.00	....	..
Pennsylvania	(a) 6	....	....	(e) 85
Pere Marquette	..	1.10	....	..
St. Louis-San Francisco	..	(x) 6.50	....	..
St. Louis Southwestern	..	13.50	....	..
Seaboard Air Line	..	....	.85	..
Southern Pacific	6	(x) 9.15	....	..
Southern Railway	..	....	....	44½
Texas & Pacific	..	3.10	....	..
Union Pacific	10	13.80	....	..
Wabash	..	....	(f) .55	..
Western Maryland	..	....	(h) 7.00	..
Western Pacific	..	(g) 9.65	....	..
Wheeling & Lake Erie	..	....	....	29

(x) Earnings are based on four months' operations. January figures not yet available. (a) $50 par value. (b) Operations for the five months were at a deficit of $259,273 before fixed charges. (c) Has no common stock. (d) Operations for the five months were at a deficit of $1,950,055 before fixed charges. (e) Includes operations of the Pittsburgh, Cincinnati, Chicago & St. Louis R. R. (f) On preferred "A." (g) Includes operations of the Denver & Rio Grande Ry., and is computed on the basis of the reorganization and readjustment plan as announced by Western Pacific. (h) On 1st preferred.

Erie's Outlook

Possibilities of the Road Under Private Management—Can Erie Cut Down Expenses?—Merger Talk

By **H. F. FRANKLIN**

EVERY now and then, someone arises with the much handled idea that before Erie can be an upstanding railroad system, from the standpoint of financial return, it must have its financial structure overhauled and made over. Comments stop short of predicting a receivership or even hinting at the necessity for one but suggest, perhaps, a voluntary readjustment as a possible way out.

TABLE I.—ERIE'S EARNINGS.

Dec. 31	Gross	Net Oper. Income	Fixed Charges, including Reserves, Rents, Hire of Equip., etc.	Final Net, including Other Income
*1914	$57,804,814	$12,759,567	$14,949,956	$662,266
1915	66,436,720	20,765,972	15,830,213	7,399,974
1916	74,311,262	18,628,600	17,237,087	5,145,743
1917	79,776,368	9,593,417	17,433,687	846,966
1918	98,895,284	**1,177,088	23,306,741	**17,918,067
1919	102,198,905	1,890,686	17,408,256	9,682,789

*Year ended June 30. **Deficit.

It does not necessarily follow from this gossip that Erie must endure readjustment of its capitalization; but now that the system is out of the hands of the Government and conducting its own affairs, it is of considerable interest to look at Erie's situation. This is not done, however, with the idea of raising ghosts of receivership or of frightening securities holders, for there is nothing sensational in Erie's position or anything that does not indicate a similar condition among many other roads, in so far as traffic and operating conditions are concerned.

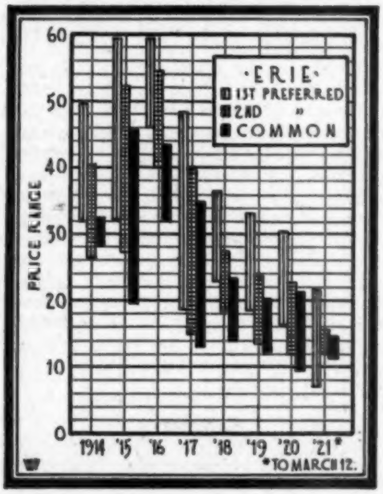
How Times Have Changed

In the fiscal year 1913, Erie was able to do a gross business of $59,465,000 and to show operating income, after taxes, of $16,500,000; while in 1920 with total gross revenues of $123,000,000, there was an actual deficit, after taxes; and even in 1919 with a gross business of $102,000,000 net operating income was only $1,890,000. The last mentioned figure represents the Federal and corporate income account combined, excluding the standard return. While in 1913 Erie was spending $18,000 per mile of road operated for operating expense, the same figure in 1919 per mile was $42,713, an increase of $24,000 or 130%. The 1913 gross revenue per mile was something over $26,000 compared with $45,200 in 1919, an increase of 73%.

These figures will give a rough idea of the change from the period just before the war to the time of Government control (1919), the last a year when rail traffic, in so far as volume of business was concerned, left little to be desired. Incidentally Erie found the fiscal year 1913 one of the best in its history and earned then $15 a share on the first preferred, almost $34 on the second preferred, and over $4 per share on the common.

From the standpoint of actual earnings, that is, disregarding the standard return guaranteed during 1918-1919 and for the first eight months of 1920, 1917 was the last year in which Erie was able to earn anything over charges which could be counted as applying to capital stock.

And yet at the same time, no criticism can be directed because of failure to increase volume of business done. The reason for the increasingly disappointing earnings is obvious when the overwhelming rise in operating expenses is regarded.



Capitalization

In the period from 1913, which year is simply taken as one end of the comparison because it represented the last year in which traffic was on what we are now pleased to call a "normal" basis—and this despite the passage of the supposedly revivifying Transportation Act—from 1913, Erie's share capitalization stands unchanged, naturally enough, and total consolidated bonded debt has risen from $244,000,000 to something over $286,000,000, an increase of $42,000,000 or little less than 10%. The funded debt figured outstanding, as of today, includes bonds pledged for certain loans, bonds given against certain notes, equipment trust obligations, and short term notes. In 1913 total interest charges were between $10,000,000 and $11,000,000, while now they are between $11,000,000 and $11,500,000, not a large increase and certainly one containing nothing to indicate that increases in interest charges have much to do with Erie's inability to stand up to its funded and share obligations.

Erie's stock capital consists of three classes: $47,900,000 first preferred 4% non-cumulative, $16,000,000 second preferred 4% non-cumulative and $112,500,000 common stock. No dividends have been paid on two preferred stocks since 1907 and none has ever been disbursed on the common. This is a condition which promises to remain unchanged.

The difficulty which Erie has been unable to surmount during the past few years, is the difficulty with which most of the roads in the country have been struggling and which only the strongest have been able to overcome.

Take for example the 1913 gross revenue of $59,000,000, and the 1917 gross of $102,000,000. Here is an increase of $43,000,000 in the volume of business done, but there was an increase of $56,000,000 in the 1919 operating expenses as compared with expenses in 1913. From these figures it is difficult to see what the added revenues have signified except more gray hairs for the operating officials. The Erie is not seeking sympathy, and it might surprise some who have classed the road along with "Flivver" jokes to know that it would be exceedingly difficult to duplicate Erie's main line from New York to Chicago for the purpose of freight traffic, and also to realize that the Erie has a reputation for handling through freight that has stood all kinds of tests. Since the double track to Chicago was completed, operating efficiency in the matter of freight train performance has not been open to question.

TABLE II.—ERIE'S IMPORTANT TRAFFIC STATISTICS.

	1914	1916	1919
Traffic Density, tons	3,264,719	4,228,918	4,473,994
Revenue Train Load, tons	602	698	855
Average Car Load, tons	21	22	27
Ton Mile Rate (cents)	.596	.584	.774

Property Valuation

The Interstate Commerce Commission has tentatively fixed the property valuations of many of the roads, and the valuation of Erie has been placed at $452,000,000. The total capitalization is $462,000,000. The Transportation Act allows the roads to earn 6% on the property valuation, and if Erie should earn 6% on property valuation the resulting balance would ade-

quately protect interest obligations, show enough to enable the company to pay dividends on the two preferred stocks, and then leave something for the common which might even allow for dividends on the junior shares. Theoretically, the result would mean, comparatively speaking, a bed of roses for Erie, and also open undreamed of vistas for Erie shareholders. But, to come down from the heights. The Government standard return, during the period of Federal control, allowed Erie compensation of $15,800,000. This return, taken with Erie's other income, showed, for example, that in 1919, the company, after paying charges, earned over $10 on the first preferred, $20 on the second preferred, and $2.25 on common, but, as aforesaid, actual earnings were far under the Government compensation, and practically, the fact that the Government return was large enough to protect Erie's obligations did not mean much to stockholders except to assure them that interest on debts would be taken care of, and that, therefore, there was no need for alarm over any default in interest.

Erie was one of the roads which accepted the extension of the Government guarantee to August 31, 1920, which meant compensation of $10,486,000 for the eight months covered by that period. In the last four months of 1920 net operating income from actual operations was only $518,000. It may be estimated, using the eight months standard return, and actual results for the remaining four months, that the Erie earned interest charges in 1920, with about $1,700,000 to spare. Here again the Government guarantee enters and saves the situation.

It is quite generally known that the normal decline in railroad traffic from the peak of the fall freight movement has been largely augmented by the business depression. For example, Erie's January gross revenue was quite the same as last year, despite the increased rates, and the net operating deficit for the month, after rentals, was over $700,000. These figures of Erie's revenues do not carry any important significations in so far as Erie is concerned. They simply represent one little piece of the big puzzle picture of current rail returns. The Erie was one of the first railroads to attempt to reduce expenses by cutting forces and it is making every effort to regain control of outgo. It cannot be fairly said that Erie is poorly or loosely operated, for it is not. Tests made last summer showed that freight car performances on the Erie were right up to the highest standard set.

Erie's Traffic

Erie has carried considerable high grade through freight, but it was reported in railroad circles that during the war emergency and the consequent unnatural diversion of traffic, an unusually heavy movement of low grade freight was put over the Erie lines, as well as considerable movement of empty cars. If this be true, such a condition would partially account for the system's sorry showing during the past three years.

For years Erie's heaviest freight traffic has been in the shipment of coal, this amounting to over half of the total freight tonnage. About 18% of the total is manufactures, which as a class is high grade freight and as such carries the higher rates. Even so the preponderance of low grade freight makes Erie's problem one of heavy loading, but in dollars of revenue merchandise carried amounts to more than double coal revenue. Before the war period the average ton mile rate of the railroads of the country was about three-quarters of a cent while Erie's rate was about three-fifths of a cent or substantially under the average. Erie handles one of the largest passenger commuter traffic coming into Jersey City, but even so total passenger traffic in 1919 was but 14% of total operating revenues. In 1913 the proportion, 17%, was somewhat higher.

Not with the idea of comparing the relative strength of the systems, but to indicate how Erie stands up alongside of a trunk line which is generally regarded as one of the strong systems, the following showing the percentage distribution of operating revenue among the chief items of operating expenses of Erie and New York Central is of interest; In the five years ended December 31, 1919, Erie apportioned about 10% of operating revenue for maintenance of way, while New York Central percentage was 10.6%; maintenance of equipment, Erie 24.3%, Central 19.5%; transportation costs, Erie 44%, Central 36.5%. The higher proportion of transportation costs on Erie indicates the relatively heavier drain on Erie, and may also be the reflection of a physical condition not up to Central's standard. But then no one would compare Erie and New York Central from the standpoint of relative earnings, but their traffic problems have much in common. It has been suggested that Erie would make an excellent outlet for one of the western roads for through traffic, and along these lines it has been suggested that when, and if the Interstate Commerce Commission took up the problem of railroad mergers and consolidations, as the Transportation Act allows it to do, the Erie might be linked up with one of the western roads.

Conclusions

Taken as a whole, Erie's bond issues are selling at about 50c. on the dollar, and shares including the two preferred stocks at less than 20c. on the dollar.

Erie has some 34 various bond issues, including many small amounts of bonds on various sections of the system which were assumed by the Erie system. Erie has an unimportant amount of maturities coming due this year, but two years hence the $15,000,000 6% notes mature.

The average investor or speculator would not be much concerned with most of the Erie bond issues, as they are small in amount, and are not readily marketable, that is, they are very inactive.

The issue of Consolidated Prior Lien 4s/1996 is one of the more attractive of the Erie issues. These bonds are a lien by direct mortgage or by collateral trust on 1,600 miles of road, and are secured by junior liens on other mileage, and are subject to only $69,000,000 prior liens. The Chicago and Erie 1st Gold 5s of which there are only $12,000,000 outstanding, are a first mortgage on 249 miles of main line, and appear to be well secured and deserving of a good rating. The Convertible 4s Series A, B, and D, of which only Series D still has the convertible privilege, (this issue is convertible into common at $50 a share up to October, 1927) are probably the best of the Erie issues from a speculative standpoint, but they cannot be classed as investment commitments.

Erie stocks apparently are far from dividends and all of them are outright speculations.

It seems a much better policy for anyone who is interested in Erie to confine attentions, for the time being, to the bonds. If Erie is to recover its position, its bonds are low enough to afford plenty of room for a handsome appreciation in market prices, and, at the same time, they naturally afford a greater degree of security than the stocks.

Back in 1906 the prior lien 4s/1996 sold as high as 102, and the low was 47 registered in 1920. Present price is around 53. Chicago & Erie 1st 5s/1982 sold as high as 122¾ in 1906 and down to 66½ in 1920. Present market value is in the neighborhood of 78. The convertible 4s A and B are selling around 37 while the D's are at 40. The direct income is better than 10% but the bonds are not close to the rails in security.—vol. 27, p. 538.

CHESAPEAKE & OHIO VS. NORFOLK & WESTERN

On page 681 of our March 19th issue, in an article on the above named companies, the last sentence on the page should read as follows:

"The annual dividend on 100 shares of Norfolk & Western brings the holder $700, and the income on 164½ shares of Chesapeake & Ohio would amount to $658. The exchange would involve a very small loss in income. If Chesapeake & Ohio were to increase the dividend but 1% it would bring the income to $822.50 a year, or $122.50 more than the present return on Norfolk & Western common stock."

RAILROAD SITUATION CRITICAL

(*Continued from page 760*)

Wheeling & Lake Erie's gross had a sharp decline from December, and again operated at a deficit before fixed charges. For the five months earnings were at the annual rate of only $505,000, or less than one-third of the government guarantee.—vol. 27, p. 576.

TRANSCONTINENTAL LINES

Union Pacific did not escape from the landslide of deficits that fell upon good and bad roads alike in January with very few exceptions. Gross declined from $16,395,401 in December to $13,267,375 in January, a decrease of 19%, and the net operating income of $1,193,409 was reduced to a deficit of $124,351 before fixed charges. Earnings for the five months are still running ahead of the government guarantee, and are sufficient to cover dividend requirements by a fair margin.—vol. 27, p. 576.

Industrials

Bonds and Stocks

Central Leather Company

Central Leather Survives Staggering Losses

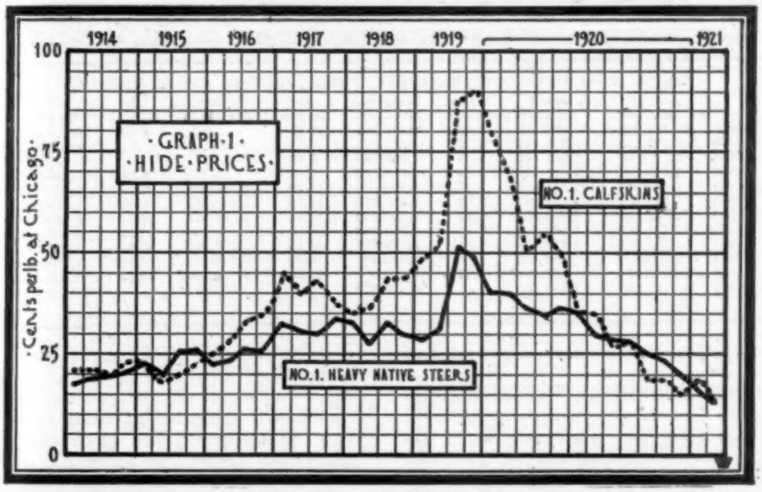
Conservative Management Policy Enabled Company to Go On Despite $25,000,000 Deficit After Charges in 1920

***By* R. M. MASTERSON**

THE year 1920 was a costly one for Central Leather. After allowance for all charges and dividends the deficit ran into the staggering total of $25,751,666. Yet after taking this blow squarely between the eyes, the company is able to present a balance sheet showing an exceptionally sound financial condition. Few companies could have withstood such punishment. The fact that Central Leather is not in receivership today—or anywhere near it—bears testimony to the ability and conservatism of the management.

What Caused the Losses

The causes of these terrific losses of 1920, which the majority of industrial concerns have had to face, is now a familiar story to most of us: Severe declines in the prices of basic raw materials combined with the complete breakdown of practically all lines of business. In the early months of the year Central Leather found the advance in the price of raw material and finished leather, which had been resumed in December, 1919, continuing and the company's sales and advance orders in January and February exceeded supply and production for some months in advance, necessitating the purchase of raw materials at high prices. The abnormally severe winter, delays in transportation and delivery, and the cancellations of orders with the cessation of retail buying, all worked to produce by early summer, a condition of almost complete stagnation in the industry, making impossible the liquidation which by then was so obviously advisable. Confronted by this condition—which resulted in a precipitate fall in the price of raw material and practically no market for finished products—the management decided on the drastic policy of almost completely closing its tanneries. From May until November purchases of hides were reduced to a minimum and inventories were liquidated where possible. It was not until practically the end of the year, when prices had reached or passed pre-war levels, that the purchasing of hides was resumed in quantity. (See Graph 1.)



Even from a standpoint of operations alone the year's business was not a success, sales for 1920 amounting to only $66,225,552, as against $118,959,634 for 1919. But unquestionably the main source of the huge losses was through inventory depreciation. The company has come out fearlessly and marked down these inventories to meet market declines and this policy, on the part of the management, of presenting a true statement of the actual condition, should justify confidence in their integrity and ability to safely pilot the company. Table I gives the balance sheet of December 31, 1920 compared with December 31, 1913, the last full pre-war year, set up so as to show the working capital position and the assets available for the outstanding funded debt and capital stock.

TABLE I.—CENTRAL LEATHER CO.
Consolidated Balance Sheets.

	Dec. 31, 1920	Dec. 31, 1913
Current Assets:		
Cash	$5,790,688	$1,777,227
Call Loans and Liberty Bonds	66,950	5,632,274
Accounts Receivable	7,126,314	7,220,896
Bills Receivable	598,757	445,747
Inventories	60,586,898	42,458,843
Total Current Assets	$74,169,607	$57,537,987
Current Liabilities:		
Drafts	$50,125	$1,739,979
Accounts Payable	1,054,161	1,021,283
Bills Payable	9,500,000	......
Accrued Interest	459,552	459,552
Accrued Dividends	582,733	1,376,731
Total Current Liabilities	$11,646,571	$4,597,545
Net Current Assets (Working Capital)	$62,523,036	$52,940,442
Property Accounts (depreciated)	40,200,532	63,219,120
Investments	7,194,044	319,987
Deferred Charges	323,803	133,984
Total Net Assets	$110,241,415	$116,613,533
Available for:		
First Motgage 5% Bonds	$27,889,650	$35,750,150
Miscellaneous Mortgages, etc.	......	92,000
7% Preferred Stock	33,299,050	33,299,050
Common Stock	39,701,030	39,701,030
Sundry Reserves	4,594,077	1,333,475
Surplus	4,757,608	6,437,828
Total	$110,241,415	$116,613,533

What the Balance Sheet Shows

It will be noted from the balance sheet that the company is in a very strong working capital position. Current assets of $74,169,607 to current liabilities of $11,646,571 show a ratio of

nearly 6½ to 1, whereas banks generally consider a ratio of 3 to 1 an excellent condition and in many instances even a 2 to 1 ratio is regarded as good. Cash items of $5,836,638 and accounts and bills receivable of $7,725,071, a total of $13,582,709 are sufficient to entirely liquidate current indebtedness and still leave a balance of nearly $2,000,000, indicating that the inventory account is "velvet." Against these inventories of over $60,000,000 the company could probably borrow at least $15,000,000 from its bankers, or even more, if it should find such a course necessary. This borrowing power is very significant as will be pointed out further on in this article when preferred stock dividends are discussed. Comparing the 1920 working capital position with 1913 we find that while the ratio of current assets to current liabilities is not quite so high, the net current assets, or working capital, are approximately $12,000,000 greater than in 1913.

Property Account

The property account of over $40,000,000 is made up as follows:

Real Estate	$ 806,715
Plants, etc.	17,897,801
Railroads, etc.	3,702,980
Equipment	424,185
Bark and Timber Lands	17,368,851
Total	$40,200,532

The real estate is located in New York City, Boston, Elizabeth, N. J., and elsewhere. The company owns and operates over eighty tannery plants and extract works in various States, saw mills, glue factories, warehouses, machine shops, woodworking shops, laboratories, etc. The bark and timber lands comprise 492,405 acres of land owned in fee; 878,189 tons growing hemlock and oak bark; 1,503,804,335 feet growing sawing timber, chestnut wood for extract purposes, pulpwood, railroad ties, cedar posts and poles and other forest products. The company also owns and operates 171.29 miles of railroads and sidings and 139.52 miles of tram roads. Equipment consists of locomotives, log cars, service cars, teams, etc.

As regards these property accounts Central Leather has assumed a very liberal policy of depreciation, charging off this item each year against the account itself instead of following out the usual practice of setting up a nominal reserve. From the comparative balance sheets (Table I) it will be noted that in the seven years, 1913 to 1920, the property account has been written down by over $23,000,000. In addition, during this period, more than $15,700,000 was expended in repairs, maintenance and replacements and included in operating expenses. Thus it is seen, basing our calculations from 1913, that if no allowance had been made for depreciation and if the amounts spent on repairs, maintenance and replacements had been capitalized, the property account would stand at over $78,900,000 today. Unquestionably the present valuation of $40,200,532 for these properties is conservative. The company gives no explanation of "investments," carried at $7,194,644, so we can make no comment on that item.

The company's products are made up of sole, belting and harness leather, hemlock, hardwood and miscellaneous lumber, glue, grease and tankage. In the tanning of leather large quantities of hemlock, oak, willow and other barks containing tannin are used, from which extracts are prepared in which the hides are immersed under various processes. This fact accounts for the company's holdings in large timber land tracts, and, as a consequence, the company engages quite heavily in the lumber industry making use of the timber available after the bark has been stripped for tanning purposes. Glue, grease and tankage are other important by-products. During the greater part of 1920 the lumber and glue ends of the business were largely profitable, although these branches suffered from a standpoint of volume sympathetically with reduced tanning operations. The company's main sources of income, however, are, of course, from the leather products, and as leather is one of civilization's basic necessities, it is impossible to imagine that the industry will continue indefinitely in its present condition of stagnation.

Past Earning Power

The past earning power of the Central Leather Co. is brought out in Table II, which shows the net income over the past eleven years, available for interest and dividends, after all other charges have been deducted. It will be noted that the company had great prosperity during the war, and it can hardly be expected that these earnings will again be equaled for some time to come. On the other hand, the company has certainly strengthened its position in the past few years, and we have no reason to doubt that with a return to anywhere near normal conditions, operations will be carried on at a satisfactory basis. Furthermore, with raw and finished leather selling today below pre-war prices and with stocks on hand marked down to meet these declines, the company has practically nothing to fear from further inventory losses.

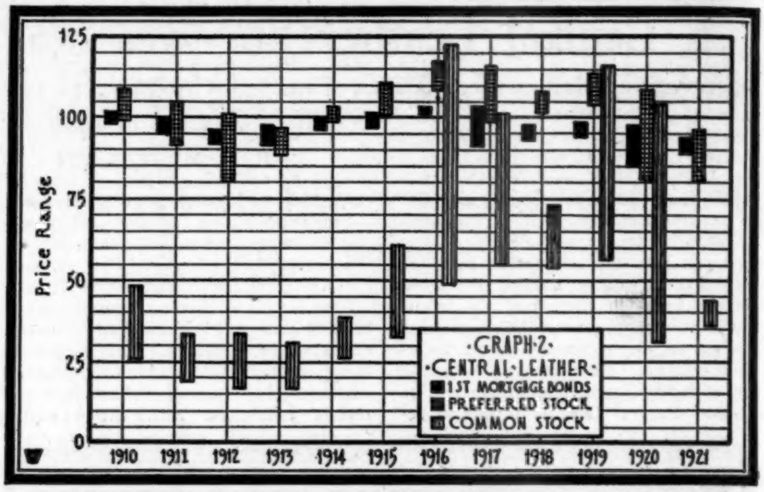


TABLE II.—COMPARATIVE EARNINGS, BOND INTEREST AND DIVIDENDS.

	Total Income	Bond Interest	Times Earned	Preferred Dividends	% Earned	Common Dividends	% Earned	Surplus
1909	$6,883,365	$1,964,429	3.50	$2,414,941	14.25	......	6.80	$2,503,095
1910	3,547,890	2,053,387	1.73	2,330,930	4.50	......	...	*836,427
1911	2,304,649	2,009,467	1.15	2,330,930	0.89	......	...	*2,035,748
1912	7,735,892	1,999,008	3.87	2,330,930	17.28	......	8.52	3,405,954
1913	6,269,080	1,882,735	3.33	2,330,930	13.20	$793,909	5.18	1,261,416
1914	6,715,131	1,838,207	3.65	2,330,930	14.05	1,191,028	6.41	1,354,965
1915	8,465,104	1,838,207	4.60	2,330,930	19.90	1,588,038	10.82	2,707,929
1916	17,327,409	1,838,208	9.43	2,330,930	46.52	3,275,326	33.14	9,882,945
1917	16,243,062	1,838,208	8.84	2,330,930	43.26	3,573,061	30.42	8,500,841
1918	8,314,642	1,838,207	4.52	2,330,930	19.45	2,779,068	10.44	1,336,448
1919	16,126,689	1,838,208	8.77	2,330,930	42.91	3,573,061	30.12	8,384,470
1920	*20,590,090	1,838,208	...	2,330,930	....	998,522	....	*25,751,666

*Deficit.

Bearing in mind the foregoing analysis of financial condition and earning power, a close consideration of the company's securities leads to some interesting conclusions. At the present time the outstanding capitalization consists of $27,889,650 First Mortgage 5% Bonds, $33,299,050 7% Preferred Stock and $39,701,030. Common Stock Graph 2 herewith gives the price ranges of these issues over the past eleven years. All issues are listed on the New York Stock Exchange, where they enjoy an active market.

First Mortgage Bonds

The First Mortgage 5% Bonds mature April 1, 1925. They constitute the only funded debt of the company, and are secured by a first mortgage on the entire properties now owned or hereafter acquired, and, in addition, by all the outstanding stocks of constituent companies. The balance sheet, dated December 31, 1920 (refer to Table II) showed assets behind the issue of practically $4,000 for each $1,000 of face value; net current assets alone amounting to over $2,650 per $1,000 bond outstanding. Earnings—of course, excepting 1920 — have always shown a wide margin over interest requirements (Table II). At the present market price of 90, not far from their low point, and with just four years to maturity, the yield is over 8%. Combined in this

bond is the high yield of a short term note with the security of a first mortgage having large equities behind it. These bonds have always been regarded as exceptionally high grade, and, in the writer's opinion, they are still entitled to an excellent investment rating. Investors, desiring a readily marketable short term investment of high calibre, can unhesitatingly purchase these bonds.

Preferred Stock

The preferred stock is entitled to cumulative dividends at the rate of 7% per annum and has preference, as to assets, over the common stock. After deducting the outstanding bonds, net assets behind this preferred stock at December 31, 1920, amounted to approximately $247 per share outstanding. Earnings (Table II), excepting 1920, have shown a very fair average margin over preferred requirements, and the 7% dividend has been paid without interruption since the organization of the company in 1905. This long dividend record is very significant, and undoubtedly the management will make every effort to continue this record unbroken for the reason that a lapse in preferred dividend payments usually reacts against the credit of a company, and, in the case of Central Leather, as it will be necessary to do some new financing in 1925 when the First Mortgage Bonds mature, the sale of new securities will be much easier if it is possible to then present an unbroken preferred dividend record. The annual requirement on this stock is only $2,330,930, and with nearly $6,000,000 cash on hand, and, as has been pointed out, with a potential borrowing power of $15,000,000 or more, it is likely to presume that the company will continue the payment of preferred dividends for at least another year, even if earnings do not actually justify it. As has been also pointed out, the company is carrying its inventories on a conservative basis, and is, apparently, "out of the woods" from further losses on that score. Business, generally, is so bad now that it must soon change, and if by the end of 1921 some improvement has not come about we feel that there will be few stocks of any description that will be worth much of anything. At 80, Central Leather Preferred is selling at its lowest point in more than twelve years, although it did reach 68 during the panic of 1907. Nevertheless, the writer has confidence in the company, and believes the preferred stock is attractive at present levels.

Common Stock

The common stock is paying nothing at the present time, and the possibility of a resumption of dividends seems remote. In pre-war years nothing was ever paid on this stock, excepting 2% in 1913, and war orders were probably entirely responsible for the increase in dividends in 1914 and their continuance in varying amounts up to September 21, 1920, when they were discontinued by the directors. Even if earnings should improve considerably in the near future the writer believes that the conservatism of the management would restrain them from again placing the common stock on a dividend basis until a large part of the 1920 losses had been recouped. At 38, the common stock is quite a way above its low mark, and it does not look particularly attractive at that price.—vol. 26, p. 612.

The Studebaker Corporation

Studebaker's Prospects

Company's Stock Attracting Much Interest—Is Control Being Sought?—Car Production Increasing

By **JOHN MORROW**

WHILE the market price of Studebaker common plunged from 126⅛ in April of last year to 37¼ in December, a drop of 88⅞ points, and sufficient to remove in large chunks the enthusiasm for the shares which had existed during 1919 and early in 1920, the steadiness and strength of the stock since the December low has been the subject of extended comment. The popular gossip in Wall Street in connection with Studebaker has been that well known motor interests have been buying into the company with the idea, perhaps, of acquiring control, and, speculating theorists have extended their idea to include Studebaker in a new big motor combine. Whether or not this is anything more than mere gossip is open to question, but, from a speculative standpoint, it is having some effect upon the market price of Studebaker common.

The $7 dividend rate on the common stock is still being maintained, but sceptics are yet to be absolutely convinced that the rate can be indefinitely continued.

Status of the Motor Industry

The motor industry is recovering from a relapse from hot-house growth; growth brought on through no fault of the motor companies themselves, but by circumstances produced by the war. Had there been no war, no forced prosperity, it might have taken the motor industry until 1925 to reach the volume of production attained in 1920.

In the summer of 1920, motor manufacturers began to sense "air pockets" in the state of trade and many commentators rightly have observed that the industry as a whole was among the first to curtail production and to put up the storm windows. This attempt to anticipate a business depression, of course, had no effect upon the extent of the slump in the sale of automobiles and the industry entered 1921 with a great degree of unsettlement but still with some degree of anticipation. Workers in automobile factories early felt the cutting down of production, and, while there has been some increase in employment during the past few weeks, it seems rather apparent that motor manufacturers

cannot safely expect anything but moderate earnings this year. Incidentally it seems as if the time ought to come soon when observers will be willing to make earnings comparisons with normal times instead of with the abnormal level of the past two years. That would give a secure viewpoint and also, perhaps, serve to show that fundamentally the automobile industry is sound enough. While the motor boom may be regretted for some reasons, still it undoubtedly served a fundamental purpose by hastening the time when motor vehicles are regarded as near necessities instead of mere luxuries, and the transportation problems of the war also served to put motor trucks much further in the forefront than normal development would have done.

Studebaker Earnings

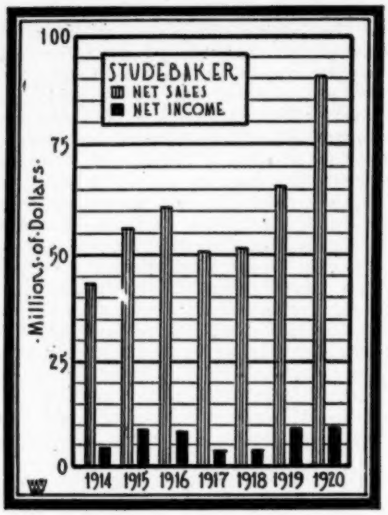
This may not seem directly connected with the position of Studebaker, but it will be realized that any individual company is linked indissolubly with the industry of which its activities are a part.

In 1920 Studebaker earned $15.18 a share on common stock and it is a useful comment on the rapid decline in earnings during the last part of the year, that Studebaker's income for the nine months ended Sept. 30, 1920, was equivalent to $15.37 per share on the common of which $7.15 was earned in the first quarter. The gross volume of business done in the various quarters also indicated that the operating expenses of the company tended to increase, but this was apparently due to the abnormal expenses connected with the opening of the new plant at South Bend, Indiana.

The balance sheet as of Sept. 30, 1920, showed that inventories had increased almost 50% over the January 1, 1920, figures of $20,607,000. As of December 31, 1920, inventories approximated $28,000,000, showing some decrease during the last three months. However, at the end of 1920, notes payable were $8,500,000,

whereas this account was blank on December 31, 1919. At the end of 1920 current assets were $41,000,000 against $16,000,000 current liabilities.

Whether it was indicative of the opinion of the management with regard to



the outlook for business, it ought to be noted that directors, early in February this year, declared the regular quarterly dividend of 1¾% on the common stock. The next payment is not due until June 1, and, if the automobile business improves this Spring, chances will favor the continuance of the $7 rate.

STUDEBAKER WORKING CAPITAL.	1920	1919	1918	1917
Current Assets	$41,367,497	$42,601,248	$36,944,571	$34,382,544
Current Liabilities	16,337,164	8,689,796	14,127,549	10,847,278
Working Capital	25,030,333	33,911,452	22,817,022	23,535,266

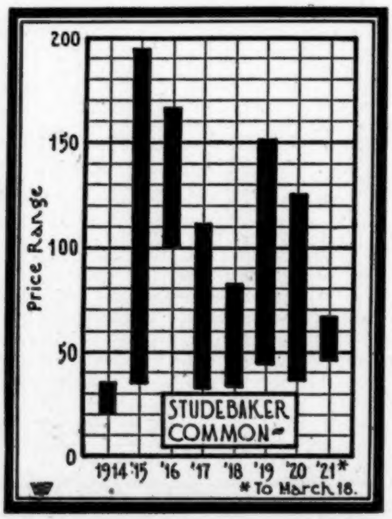
Studebaker capital structure has changed considerably during the past eight years. The company entered the war period with $6,800,000 serial 5% notes, $12,650,000 7% cumulative preferred stock and $28,000,000 common stock. Now the preferred stock has been reduced to $10,260,000 through the provision of the regular sinking fund, and common stock outstanding totals $60,000,000. The company has no notes or bonds out. During the period covered, Studebaker sold some $15,000,000 serial 7% notes and then called them for payment on January, 1920, anticipating maturity dates. The funds were raised by selling $15,000,000 common stock at par. Then early in 1920 the stock dividend of 33⅓% was declared, bringing up the amount of common outstanding to $60,000,000.

Thus in consideration of earning power as compared with pre-war revenues, it must be remembered that the company has 600,000 shares of common stock upon which to pay dividends as against 280,000 in 1914, but, it seems a fair assumption that even allowing for the unnatural growth of the motor industry, conditions are not likely to approximate the pre-war basis of earnings and also to assume that a wisely managed automobile company ought to show earning power permanently increased.

The Studebaker Corporation was incorporated in 1911 and did not inaugurate dividends on the common stock until 1915. In those four years a total of $24.25 was earned on the common stock and in the next five years, to 1919 inclusive, total earnings on the junior shares were $108 a share of which $33 was paid out in dividends, leaving a net increase to assets equivalent to $75 per share. In other words, the pre-war period and resulting prosperity practically quadrupled earnings. An accompanying graph will show the fluctuations in Studebaker earnings and indicate that they are subject to rather wide variations. This condition is not as unnatural as it would be were it evidenced in an industry with a long history and an established stability. The motor industry is still new enough to be rapidly affected by changing conditions and is more susceptible than many others.

Car Production

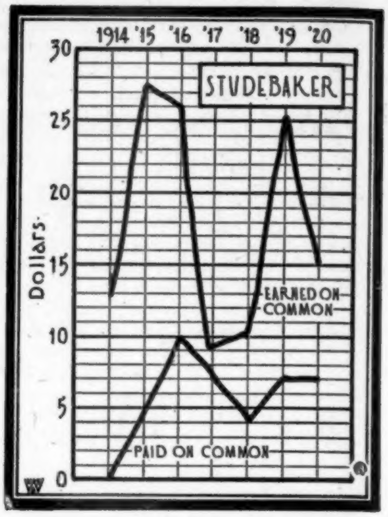
Studebaker's output in cars in 1920 was about 52,000, whereas early production plans called for, perhaps, 80,000 cars. Studebaker's passenger cars are in the middle class and compete with such models as Buick, Chandler, and Nash. While motor makers are naturally hopeful of an early recovery in business, it is not likely that production plans are being laid far ahead, and a careful eye is being kept on the limitations of the market. It is currently reported that operations at the Studebaker plants are equivalent to 5,000 cars a month and it is expected to work up to 7,000 by June. Predictions as to business for the remainder of this year are almost fruitless, and would serve no real purpose, because of the uncertainties which are present. Studebaker plants have a capacity for producing at the annual rate of 100,000 cars and, perhaps,



operations at 50% capacity would be entirely satisfactory this year and on such a basis the common dividend of $7 ought to be earned and paid. The company is purely an automobile concern now, as its farm wagon business has been entirely disposed of.

Conclusions

The $10,260,000 Studebaker 7% preferred outstanding takes about $700,000



annually to satisfy dividend requirements. The rate has been paid regularly since the incorporation of the company ten years ago, and the amount outstanding has been reduced by the sinking fund. Preferred stock now is a prior claim upon earnings, although it is, perhaps, worth remembering that previously the Studebaker management did not hesitate to sell notes and place a claim ahead of the preferred and may again do that should occasion arise, but, that is a possibility that exists in connection with almost any industrial preferred stock. In any event, the position of Studebaker preferred is well secured and the stock is entitled to a good rating.

The range of the common stock, so far this year, has been between 43⅜ and 67 and the trend, since early in January, has been upward. The recovery was started by the declaration of the regular dividend late in January and since that time up until March 12 480,000 shares of common were traded in on the New York Stock Exchange between 55 and 62, meaning that two-thirds of the outstanding capital stock was turned over within a range of seven points. On its face, this does not bespeak liquidation, but it still remains to be shown whether the turn-over represents accumulation for the purpose of control. Last December the shares were undoubtedly on the "bargain counter"; they are not now, but are in middle ground. In the long run, however, Studebaker shares around 60 ought to prove relatively cheap and the stock is one of the more attractive speculations of the motor shares.—vol. 26, p. 471.

Switching as a Science

What Investors Should Consider Before Making a Switch—Importance of "Forgetting" Losses —A Few Promising Opportunities

By **VICTOR DE VILLIERS**

ADROIT switching to make up losses or to increase probabilities of longer range profits is a science requiring skill and patience.

The writer, like any other adviser, is most often called upon to help those who have losses. The rare case of the man with *profits* seeking advice is a novelty, whether such profits be actual or "paper profits." Generally speaking, we know it is the fellow in trouble who seeks advice.

Trouble in Wall Street is the fate of the great majority, and will probably continue to be because the majority are prone to do their thinking after the event—which means, when they are compelled to think by pressure of circumstances. Switching is more necessary to losers than gainers, and is becoming better understood and more popular because the market has broadened tremendously, and the range of possibilities is wider. Perhaps, also, in point of number of investors and amounts involved, the serious break in the market during the past year has meant more to the average man and has affected a greater number to a more serious extent than many a panic of bygone days.

Catering largely to the loser, the writer's task is not a pleasant one. It is not easy to meet the question, "I have a loss of 50 points in U. S. Rubber: what shall I buy to make up this loss?" Let us take another typical one: "I bought 100 Columbia Graphophone at 50; should I buy another 500 at 7 to make up this loss?" Finally, we reach the dead-line in market problems, "On the advice of a friend I bought 100 Transcontinental Oil at 60: would you advise buying more of it now, or some other stock to make up this loss?"

The weak point of the painful situations outlined (and they are stern actualities today) is the mental attitude so common to the rather inexperienced investor, who feels that having lost in Wall Street, the latter institution is more or less morally obligated to make it up for him. More money has been lost and is being jeopardized today by this mental attitude than almost any other single factor contributing to losses in the market.

The writer has some concise advice on the subject of losses. It is: "Forget them. Remember the experiences only."

Correct Mental Attitude

No real investor should or can get himself into the position of the unfortunate owners of high-priced U. S. Rubber, Transcontinental or Middle States Oil as above outlined. These stocks are selected at random, without reference to their merits or demerits. They have in common only their weird price movements and radical decline, to enable comparisons to be drawn.

It is little use castigating a loser, yet it is pertinent to say that the investor in large lines of Middle States or Transcontinental Oil at fancy double figures in a bull market, was undoubtedly kidding himself rather than investing, and he ought to realize that situation now if he never did before. It is equally logical to suppose that the adviser who can turn a fool act into something rational would have to be more than a wizard. It was a fool act to buy big lots of speculative oil stocks in a bull market. It was irrational to buy oil stocks when oil was selling at the price of liquid gold. It was disastrous to persist in hanging on to the point of mental desperation, and then expect someone to suggest a miraculous act that would undo the mischief.

Admittedly stocks like U. S. Rubber are in a better class, more seasoned, and far less speculative than the new oil stocks. Yet, the buyer of "Rubber" say around 125 could have ascertained that it rose from about 50. Just as the latter swung way out of line on the way up, so it might be doing the same thing on the way down, yet it is a far cry from the present level of about 70 for Rubber to its former prices, and miracles might well have to be accomplished to make up the unfortunate holder's loss.

The correct mental attitude is to approach the subject in a business way. The merchant who loaded up with high-priced sugar last year would not continue to hang on to his sugar, and even buy more with the vague hope that profiteering prices may come along again and so let him out whole. He would sell his sugar if there was no immediate prospect of a greater advance, and if necessary buy flour or corn if he felt that these commodities were more likely to be in demand.

The sensible merchant would certainly not look his sugar over with a resentful eye and expect or compel it to make good for him.

I cannot emphasize too strongly the pernicious attitude of a large number of losers, whose judgment only becomes worse instead of better, when mistaken attempts are made to "recoup." The advice about losses should be remembered because it has been found good in experience and practice: "Forget them. Remember the experiences only."

Cleaning House

If I have made myself clear so far, let me remind the reader that the present springtime season of housecleaning should be applied to investments and speculations without thought of past profits or losses, and should be done impartially both now and all the time. Nursing the thought of "making up losses" can only lead to further distortion of the mental processes of the investor, and—in the long run—cause more losses.

"I cannot switch Non-Resilient Rubber because I have 20 points loss." Think a moment, Mr. Investor. Its tires might be deflated for good, and your hopes and stubbornness cannot cure dead rubber or a hopeless situation. The real point is: how much money would you have by realizing, taking your loss, and handling your money sensibly in future? Suppose the salvage of your wreck is patched up to the best advantage, and your money from now on is placed sensibly in such a way that the principal is more likely to improve than deteriorate. It is worth remembering that every fund is capable of doubling itself in about 11 years even in conservative investments, so that a severe market loss need not be the disheartening thing it is, in the eyes of the man *who played to win only.*

It matters not to Wall Street how much you lost in this or that investment or speculation, nor even how much you have made. As an institution, Wall Street has no favors to give the loser nor grudges to bear the winner. That which you have lost—is probably lost for good: and this is the soundest mental attitude to adopt towards what you are going to do about it in the future.

Consider Each on Its Merits

If you intend holding Non-Resilient Rubber selling, we will say, at $20 a share, the real test is, not how much you have lost in that stock, but how much it is worth today, and whether you would buy it at that price with new money. Coming back to our three stocks previously quoted, it is for the owner to decide whether he considers U. S. Rubber cheap around 70, Middle States well worth 13, or Transcontinental a bargain around 8½. This decision must be arrived at not in conjunction with any previous commitments in them, but solely on their present-day merits.

The same law holds good in the case of "averaging down"—a process, by the way, that THE MAGAZINE OF WALL STREET has not always approved of. The person who averages down very often fails to consider the merits of his security, and keeps on buying against its obvious trend, hoping to pick the bottom price. These attempts have not met with brilliant success where the securities under this process have not only gone down, but stayed down for good; for example, New Haven, St. Paul, Manhattan Elevated. More recent cases of this kind would include even Middle States Oil, Transcontinental Oil. Think of the unfortunate position of trying to find the bottom in Atlantic, Gulf & West Indies! It is apparent that the procedure is dangerous, and anything that is dangerous must be avoided.

It brings us to the inevitable conclusion that in switching from one stock into another, its longer range possibilities, whether as an investment or a speculation, are the only real factors worth consideration, and that to inject the owner's cost price and his attempt "to make up his loss" is an obstacle in the path of reason.

The last consideration worthy of mention is the test whether, given two things of relatively equal merit, selling at the same price—both having declined very substantially from former established values, the alternative thing is not the better

proposition to trail along with, regardless of the investor's likes and dislikes, his hopes, and his mistaken notion as to values measured by the price he paid?

To put this a little clearer let us take two stocks, A and B, both selling around 50. The reader owns A at 100 and to obtain money to buy B—which is all a switch amounts to—he debates with himself that he would be taking a loss, and had better hold A regardless of the merits of B. Such an investor is doing himself an injustice: he will never be successful in his investments; and his chance of recovering even a substantial part of his loss is much diminished. The investment B should be considered a "new deal," and when A is sold, the best thing to do is—to forget it.

Common Sense in Switching

A few suggestions are given regarding some apparently likely switches with brief reasons. The list of securities could be gone over almost indefinitely, so long as big price changes occur. The reasons advanced may seem arbitrary in some cases but the line of reasoning is submitted in the hope that the reader may be induced to go into his security holdings more closely, and rearrange his affairs upon a basis of investment worth rather than from the standpoint of past mistakes or misfortune.

PITTSBURGH COAL at 59 does not seem so well fortified as INTERNATIONAL AGRICULTURAL PREFERRED at 48 or MARINE PREFERRED at 51. Admittedly, the fertilizer and shipping situation is bad just now, but matters could not be much worse, and both preferred stocks are still in line for substantial dividends. Their long decline has probably discounted conditions. Pittsburgh Coal has had some war-prosperous years, and the production end of the business seems in line for some radical price cuts, high wages for a while and diminishing earnings.

CENTRAL LEATHER at 39 does not seem so attractive as KELLY SPRINGFIELD around 40. Both have had a fair advance, and it seems to the writer that when a decline comes again both will go down together. Kelly pays a dividend meantime, and its industry and speculative prospects seem at least as good as those of Central Leather.

ST. PAUL PREFERRED (38) is not in line for dividends unless events in the railroad world so shape themselves whereby the weaker roads can at least pay their way. ST. LOUIS SOUTHWESTERN common (29) is much cheaper, and its earnings in the past two years consistently good. It is believed that if dividends rest on merit and earnings, the latter is in far better shape at least to consider them, and I have no doubt that in strong rail markets the latter will give a better account of itself than St. Paul. I would endeavor to buy "Cotton Belt" at a concession from present levels, however.

PEOPLES GAS (40½) may "come back" over a period of years, but would prefer to have the proceeds of 100 shares of this security placed in PACIFIC GAS AND ELECTRIC (47¼), paying $5 a share, and evidently able to earn and continue this dividend. I have little doubt that when these public utilities are in line for better times and a good market, the latter will do at least as well as the former. Meantime, it will pay carrying charges over what might prove to be a long, long wait.

JEWEL TEA PREFERRED (26⅝) has now had a substantial rally from its low levels of last year. Although apparently in better shape financially than in some time, its earnings position is not materially better. A stock like ST. LOUIS SOUTHWESTERN or ALLIS CHALMERS would prove more desirable to the writer. The latter has had a fair rally to around 36 in recent sessions and can doubtless be secured on better terms by exercising a little patience, in the next few weeks. It pays dividends, and at least "carries itself" along.

AMERICAN CAN (29¾) may do the expected one day, and advance substantially. It has been threatening to do this for a long time, but it has been a tiresome period of promise and hope unfulfilled. It often happens that ALLIS CHALMERS sells around the same price as AMERICAN CAN, and a little observation will help the investor to change trains to advantage, at the right time.

INTERBORO CONSOLIDATED PREFERRED (15) is still in a rather hopeless tangle, and an interesting fight is likely to develop out of attempts to make New Yorkers pull some of the *I. R. T.'s* chestnuts out of the fire. Personally, I believe some compromise between 5 cents and 8 cents will be arranged as to fares, and considering the excellent service the railroad gives, many people would not mind paying an extra cent or two. In such case I would prefer to hold INTERBORO METROPOLITAN 4½% BONDS (21), which represent real ownership of the subways, and far more likely to appreciate on the happening of favorable things traction-wise. As between the two, they are a shade less speculative, and more likely to be sought at the right time by investors.

HOUSTON OIL (75) will probably remain a mystery for some time, whereas there is little mystery now about READING (67¾) or PAN AMERICAN B (64). Both the latter pay dividends while ownership in Houston represents an equity in much excitement at times and speculative value. It is my belief that a sale of Houston now and some judgment on the part of the "switcher" may lead to more satisfactory results eventually.

LEHIGH VALLEY (51) into CHESAPEAKE & OHIO (58⅝) will transfer ownership into a railroad that is doing extremely well, and makes consistently good records during a period of trying times. It would not surprise me to see Chesapeake pay a higher dividend eventually, while if Lehigh Valley holds its own it will be doing well.

AMERICAN INTERNATIONAL (43) has become an investment in a "pool" where the holder has no control whatever. It may work out well in the long run, but the writer prefers WORTHINGTON PUMP (48½), paying $6, against nothing for the former.

THE TREND OF RECENT FINANCING

(Continued from page 758)

EMPIRE OIL PURCHASING 2-YEAR 7s

These notes were issued to take advantage of the present decline in crude oil prices through the purchase of present and future supplies. They are participating notes in that all net profits from operations are to be divided in the ratio of 33 1/3% to the note holders and 66 2/3% to the company. They have no security behind them but are a direct obligation of the company and bear the guarantee as to principal and interest of the Empire Gas & Fuel Company.

STATE OF SAN PAULO (BRAZIL) SINKING FUND 8s

A syndicate composed of a number of strong investment institutions offered $10,000,000 of the 15 year 8% bonds of this state at a price of 97½%, to yield about 8.47%. In addition to the bonds offered in this country there were £2,000,000 Sterling Bonds offered in London and Fl. 18,000,000 Guilder Bonds offered in Amsterdam. All these are a direct obligation of the State of San Paulo, commercially the most important state in Brazil and in addition they are secured by a first charge on the surtax of 5 francs per bag on all coffee exported from the State, except that the Government is entitled to deduct from this surtax, £285,000 annually until Aug. 1, 1924. After that date the entire surtax is to be available for the service of the loan. Of this surtax 44% is pledged for the service of the $10,000,000 bonds.

CITY OF PHILADELPHIA 3½s

These bonds, maturing serially from 1921 to 1934, were purchased by a group of bankers from a Philadelphia holder and were offered to the extent of $2,000,000 on a basis to yield 4.85% for the later maturities. They are worthy of comment in that they carry a coupon rate of 3½%, the lowest interest rate borne in a number of years by Philadelphia bonds offered in such large volume. By referring to the accompanying table it will be noted that three of the other city bonds included in that table carry 6% coupons and were offered on a basis to yield from 5.50% to 6.50%. The high yield on the City of Memphis issue may be attributed to the fact that they are short time tax anticipation notes maturing in October of this year.

Public Utility Issues

Four fair sized utility issues have recently been offered, a few details of which are given in the tabulation. Two may be termed short term issues and consequently the yield obtainable on the same is rather high. The Los Angeles Gas & Electric General & Refunding 7s mature in 1926 and return a yield of 7.40% on their offering price of 98¼. The bonds are secured by property valued at more than $29,000,000, as compared with a total outstanding amount of $2,500,000. The San Joaquin Light & Power Unifying & Refunding Mortgages 7s mature serially from 1922 to 1951 and yield from 7.20% to 8%, depending on maturity. They are well secured, have a large earning power behind them, and an attractive sinking fund provision attached to them. The California Oregon Power 7½s and the Shawinigan Water & Power 6s are both excellent bonds, and rank high among utility securities.

Some Unique Features of Preferred Stocks

Often Better Than Bonds — How Investors Can Choose Between Them — Ten-Year Price Average of More Prominent Issues

By J. L. CHEATHAM

PROVISION for old age is a matter of keen interest to everybody, and how to attain that goal is a question which will attract attention at any time. As there is no royal road to learning, so there is no royal road to financial independence. The average individual starts life with little or no capital and it is too often true that he comes to its latter years in about the same condition.

To attain financial independence is possible to most people, but to do so requires hard work, methodical and systematic saving, and intelligent investment. It is not within the scope of this article to treat upon the first two prerequisites mentioned, but to deal only with the last.

There are many ways of investing and many opportunities are offered, some yielding very attractive returns to the investor. However, as a rule the average man desires to make his investment and then to forget about it and not be bothered with attending to various details; in other words, he wishes freedom from care. This permits him to conduct his regular business without interruption and to devote his entire energy along his own lines. For this average type of man there are no better channels in which he can place his funds than in bonds or the best grade of preferred stocks.

Plans Necessary for Success

In order for one to make his investments scientifically, there must be a plan. No one would ever think of erecting a building, constructing a railroad, etc., without a plan; neither should anyone start his investment career without first formulating and perfecting his methods. Yet how few investors have any definite idea, other than to get as much income as they possibly can.

Nothing should take one's mind from the prime requisite of any investment—safety. Neither high yield, nor marketability, nor any other feature should obscure this foremost of all questions, the security of principal. While the safety of any individual issue depends upon the amount of property in good condition owned by the company, the ability of the management, the total capitalization, the earnings, and the priority of the issue in question, the investor can further protect himself by employing proper methods of investing.

It is assumed that in making investments the investor does so through a reliable banking house and that the issues he buys have first passed the test of their experts. To further protect himself, as mentioned above, he should diversify his commitments, that is, he should not put all his "eggs in one basket." Select the most important groups of the industrials, public utilities, railroads, municipal and government issues, and then subdivide these groups into the respective companies therein. Each concern in which the investor is contemplating placing his funds, should be analyzed carefully and the best of each group selected. It is obvious that all corporations will not be suffering a stagnation of business to the same degree at the same time, nor are large failures likely to spread to every class of business enterprise. The concerns furnishing the essentials of life are more to be desired than those furnishing the luxuries, since their earnings are usually more stable.

The second factor of importance to be considered, is the amount and the stability of income. The investor must determine for himself whether he desires to use his income each year or whether he intends to re-invest this income. Attention should be given to this point when comparing return of stocks with yield of bonds. The tables from which bond yields are taken and the theories from which the bond formulæ are derived, are based on the supposition that the semi-annual interest will be instantly re-invested.

Upon these two factors, namely, safety and stability of income, hang the success or failure of the investment; the other considerations are, as a rule, merely a matter of convenience by which one person may be attracted and another may be affected in just the opposite manner.

Advantages of Preferred Stocks

The advantages of preferred stocks are not appreciated by many investors, and a great many persons persist in confining their commitments to bond issues, merely because they have a vague notion that a bond must be a sounder investment than a stock, notwithstanding the fact that a bond, of itself, is not necessarily any better than a stock but must depend upon the security behind the issue.

A bond is an evidence of a loan of money which is to be paid at a certain fixed date, and for the use of this money the bondholder receives interest paid at regular intervals until maturity. The holder of a bond must receive his interest and if this is not paid him, he can foreclose and sell

TWENTY-SIX IMPORTANT PREFERRED STOCKS.
With Ten-Year Price Ranges and Dividend Rates.

Name of Company	Present Dividend Rate %	Aver. Annual Div'd Rate Paid Since Incorporation %	Number of Shares Sold 1920	Price Range 1911-1920 Actual Low	Actual High	Price Range 1911-1920 Average Low	Average High	Mean Price for past 10 yrs. Based on Av'ge Low and Av'ge High	Last Sale to Mar. 19, 1921	Yield Based on Last Sale
Best Grade Preferred Stocks.										
Railroads.										
Chicago & North Western	7 Part-N.C.	7¾§	19,661	98	209	152	169	*160½	104¾	6.7
Union Pacific	4 N.C.	4§	87,550	61¼	96½	75½	84½	80	66	6.1
Atchison, Top. & Santa Fe	5 N.C.	5§	107,285	72	105½	89¼	98¼	93¾	78	6.4
Industrials.										
Virginia Car. Chem.	8 cum	8	20,800	80	128½	100	115¼	107¾	95¾	8.4
United States Rubber 1st	8 N.C.	6	47,197	91	119½	100½	113¼	107	102	7.8
Amer. Sugar Ref.	7 cum	7	33,617	97⅞	124	109¼	119¼	114¼	101½	6.9
Amer Car & Fdy.	7 N.C.	7	14,000	100	120	110	117½	113¾	111	6.3
United States Steel	7 cum	7	235,787	102	123	106	117	111½	109¾	6.4
Amer. Smelt. & Ref.	7 cum	7	48,025	64½	118½	97½	109¾	103½	77	9.1
Baldwin Locomotive	7 cum	7	20,300	92	114	97¾	107½	102½	97	7.2
American Locomotive	7 cum	7	13,810	75	110¾	95¼	107	101	105	6.7
Railway Steel Spring	7 cum	7	7,305	86½	112	93	104	98½	104	6.7
Speculative Preferred Stocks.										
Railroads.										
Chicago, R. I. & Pac. 7%	7 (a)	7	111,300	44	88	58¼	85¼	76¾	71¼	9.8
Western Pacific	6 N.C.	3	25,100	35½	78	47	63	55	68½	8.8
Kansas City Southern	4 N.C.	2¾	58,571	40	69¾	50	61¾	56	48½	8.3
Baltimore and Ohio	4 N.C.	4§	132,988	33½	91	64¾	76¾	70¾	49	8.2
Industrials.										
General Motors 6% Pref.	6 cum	6	34,000	64½	95	76½	92	84¼	71½	8.4
Tobacco Products	7 cum	7	19,810	75	120	86¼	105	95½	85	8.2
U. S. Smelt., Ref. & Min. (par $50)	7 cum	7	15,190	23	53½	42¾	50¼	46½	41¾	8.4
Allis-Chalmers Mfg.	7 cum	7	24,750	32½	97	57¾	79	68½	82	8.5
Cuba Cane Sugar	7 cum	7	181,950	54	100¼	78	90½	84¼	65½	10.7
Inter. Mercantile Marine†	6 cum	3	950,000	44	128½	66¾	112½	89½	52¼	11.5
Amer. Cotton Oil	6 N.C.	5⅛	4,300	59½	105½	86¾	97½	92	64¼	9.3
American Can	7 cum	7	56,254	72¾	129½	87½	109¼	98¼	84	8.3
California Petroleum	7 Part-cum	7	32,464	29½	95½	40½	78½	64	73	9.6
Federal Min. & Smelt.	4 (b)	6¼	52,062	21½	66½	28¾	50¾	39¾	25	16.0

*Due to participating provision, when common above par this preferred issue takes on speculative features similar to the common. †Prices 1915-1920 incl. only. §Average for past 20 years. (a) Cumulative up to 5%. (b) Preferred is 7% cumulative.

the property to pay both his principal and the interest. Consequently, when a person loans funds to a corporation and receives security therefor the primary fact in which he is interested is not necessarily that large profits will be assured, but that the value and character of the property which is pledged as security for the loan is of the highest grade and of sufficient value to amply cover the loan.

While a preferred stock is not a mortgage, and is in many ways essentially different from most bond issues, its investment position will often be affected by the same factors which affect the worth of a bond. Like a bond, in most instances, the income is fixed and the dividend rate cannot be increased above the limit which the terms of its issue provide. Hence like bonds, the value of money and not alone the earning power of the company largely determines the selling price of the preferred stock.

The one feature lacking in the best grade preferred stocks is the speculative feature, since well-seasoned preferred issues, like standard and tested bonds, possess relatively small attractiveness from the speculative point of view. However, as investments they offer, in many cases, inducements of an exceptional nature.

If an investor desires to purchase a security which has not the violent speculative features of a common stock and yet one which has more of a speculative tinge than bonds or the best grade preferred issues, he may often secure such an investment among the more speculative preferred stocks. By selecting a company which has either been going through the development stage and has failed to earn or pay all the dividends on its cumulative preferred, or because of the non-cumulative feature of the issue, or for various other reasons, he can ofttimes secure an investment which will not only offer speculative possibilities to some extent similar to those offered by common stocks, but which will also give a fair return on the money and will be reasonably safe as an investment.

The comparison between preferred and common stocks is in some cases further afield than a comparison between preferred stocks and bonds. Common stocks are junior to all issues and the holder, as a rule, can only receive what is left after the holders of the other securities have been satisfied—both in the case of assets and in earnings. The preferred has, in most instances, prior rights not only to dividends but also to assets, and consequently the risk is less than that of the common since any decrease in earnings or shrinkage of assets will be first taken from the junior issue to enable the company to meet the provisions of its preferred. When it is necessary to carry out new developments or to increase working capital, the corporation often does so at the expense of the common stockholder, either by eliminating entirely or by the reduction of his dividends.

Selling Price vs. Par at Maturity

In the table on page 769, the best grade preferred stocks and the speculative preferred stocks have been shown with their price range for the past ten years.

When bonds are purchased there is a fixed price to be paid at maturity, and consequently the return of the capital invested is assured, that is, provided the selection of the bond is a good one. Hence the purchase price of the bond is usually of secondary importance. While in some instances, the preferred stock of a company is redeemed by sinking fund provisions, in general, the only source of recovery of the principal invested is by the actual sale of the shares held. Thus the owner is confronted with the question of securing a market for the stock and whether the stock will sell for more or less than its cost. Thus the purchase price of a preferred stock is of prime importance.

From the Table it is seen that if the investor had purchased the best grade preferred stocks below the "mean average" he could have secured, not only an income upon his investment during the period he had possession of the stock but he could have sold his holdings at a profit and added to his principal. The "mean average" is found by averaging the "average low" and the "average high" for the ten-year period. Or it may be found graphically, which is the better way, by plotting the prices. The writer has plotted many of the active listed preferred stocks and finds this of great assistance in determining in what range the given stock is moving. The investor can readily plot the price range of his stock, but as a word of çaution, do not consider a "graph" a cure-all to solve all the investment problems; it is merely a convenient method of recording data.

By judicious selection readily marketable preferred issues can be secured which will meet all requirements for conversion into cash, and thus these issues become more closely related to bonds. The income from these preferred stocks can then be treated the same as the interest from bonds; namely, as cumulative investments.

However, in purchasing the speculative preferred stocks this rule cannot be so closely followed since these issues take on the nature of common stocks and the features that influence the general market for the long-pull, rather than for the immediate future, should be followed. With close study of underlying factors, infinite patience and conservative methods, investments even in the speculative preferred stocks should be profitable in the long run. Too much emphasis cannot be placed on the necessity of the investor keeping up not only with the operations, earnings and management of the company whose stock he owns, but also in keeping up with the underlying factors both in the business world and in security markets.

From earliest times in history there have been regularly recurring periods of great and general prosperity and of great and general depression, and conservative investors have been able to pick out securities which owing to the general depression have sold below their actual worth and in holding them have been able not only to receive a regular income, but their principal has been increased by reason of the enhancement in value of the securities. Speculation and investment may be said to emanate from the same motive, namely, the desire for gain; and the difference between them is the difference in degree of risk willing to be assumed, thus the gradual dividing line between common stocks, preferred stocks and bonds; the best grade preferred issues being more closely related to bonds, while the speculative preferred stocks are more like the common.

Conclusion

All things considered, the income from a well-seasoned, conservative preferred stock is, as a rule, much greater than from an equally secure bond. By judicious selection of preferred issues, where the superior marketability or the sinking fund provisions provide a ready conversion into cash, an excellent dividend return can be secured with all the advantages of bonds and with freedom from most of the disadvantages.

Since the rates for money influence the selling prices of conservative preferred stocks, many excellent investments may be made at the present time yielding a large return, where the company is not only in excellent financial condition but is earning its bond interest and preferred dividends many times over. Were it not for the money conditions which have prevailed during the past few months, these securities would be selling at materially higher levels. Now that the money situation is rapidly clearing up these issues should not remain at these prices much longer.

Furthermore the higher yields on good bonds can only be secured on relatively short term issues, while many superior preferred stocks can be bought to yield somewhat higher rates and will run for practically a lifetime.

LIBERTY LOANS REDUCED $55,000,000 IN FEBRUARY

The Treasury Department continues to reduce the outstanding amount of the various Liberty Loan issues, particularly the Victory which have the earliest maturity and therefore must be given first consideration by the Treasury officials whose task it is to prepare for their redemption.

In February the net amount of bonds retired amounted to $55,416,713, the largest reduction in any month in the current fiscal year. Total reduction in the war issues now amounts to $2,000,994,995. Of all the bonds purchased in February, $53,213,400 were Victorys. This issue has been reduced from $4,495,399,100, the total original issue, to $4,149,757,705. The combined total of all war issues originally outstanding was $21,432,950,900. This amount at the end of February had been reduced to $19,431,955,805.

POSTAL SAVINGS DEPOSITS

The total deposits in the United States Postal Savings System on March 1 were approximately $163,350,000. That the system continues to render a valuable service to its many patrons is evidenced by the fact that the deposits with it during the month of February amounted to more than $10,000,000. Despite disturbed conditions in certain localities, which deposits indicate are rapidly becoming adjusted, in many sections savings deposits have increased by leaps and bounds. One hundred and forty-nine postal savings depositories now have over $100,000 on deposit.

Answers to Inquiries

READING

Stock Seems Too Low

The recent slump in the market price of Reading is in no way due to any unfavorable developments. Mostly, if not all of the selling, originated with professional operators, who took snap judgment on the segregation plan and whose views of the proposition are likely to change upon closer study. Selling ex-rights from current quotations will leave the railroad stock as an 8% issue ($4 a share) at a reasonable level, while in our opinion the coal stock is quite cheap and eventually will sell considerably higher. Holders of Reading should keep their stock and exercise their rights to subscribe.

ROME, WATERTOWN & OGDENSBURG 5s—1922

Good Short Term Issue

These bonds are outstanding to the extent of a trifle over $9,000,000 and are guaranteed as to principal and interest by the New York Central Railroad originally and have been assumed by the New York Central. They are a first lien on 413 miles of road and are legal for savings banks in New York State, New Jersey, Connecticut, Massachusetts and Maine. In the past the company has been able to show earnings of about 1¾ times interest requirements, which, together with the guarantee of the New York Central, makes this a gilt-edge bond. This bond is highly rated and is largely used as a medium for the investment of trust funds.

However, this is a short term issue, due next year, when the opportunity to invest money to return 6% or more permanently may be gone. Under the circumstances, it is advisable to make a permanent gilt-edge investment of a similar character now.

ROCK ISLAND, ARKANSAS & LOUISIANA 4½s—1934

Medium Grade Rating

These bonds are part of the Rock Island System and are guaranteed as to principal and interest by the Rock Island Railway. Such a guarantee would not be prior to the bonds of the Rock Island itself, but would precede any equity for the preferred and common stocks of the system. These bonds are outstanding to the extent of around $13,000,000, dated March, 1910, due March 1, 1934. The company has the right of calling them in at 105, as a whole, but such action is not very likely for a long time. They are a first lien on 363.6 miles on parts of the system in Oklahoma and Louisiana, on a further 264 miles, and on a further 43 miles of main road and 55 miles of branches.

This is a medium grade bond that can only be given a fair rating, as the Rock Island System is not yet in the same class as some of the leading roads, as to stability of earning power. According to last earnings reports, Rock Island covered its interest requirements, but was only able to earn 3% on its preferred stock. The preferred dividend calls for 7%, and nothing was shown as earned on the common stock.

The earning power of this road is not showing a strong uptrend, consequently these bonds are not yet in the investment class.

MIDVALE STEEL

A Fair Speculation

Authorized stock $150,000,000, outstanding $100,000,000, $50 par. Bonded indebtedness $43,227,500. Initial quarterly dividends of 3% were paid February 1, 1917, and this rate was maintained until May 1, 1919, when the quarterly rate was reduced to 2%. During 1920 the company's earnings were equal to approximately $6.18 a share against $5.19 earned during 1919. There has been no change for the better since the development of the slump in business in the closing months of last year, and the first six months of 1921 is likely to be poor for practically all steel concerns as far as earnings are concerned. It is now pretty generally understood that no new business of consequence is likely to develop before the Fall of the present year, and in the meantime, efforts will be put forth to readjust wages and steel prices to a point where buyers will be attracted. The company is in a sound financial position and well able to stand a period of slack business, provided it is not unduly prolonged. During the abnormal period of prosperity of the past four or five years, the company's average income available for dividends has amounted to $25,659,000 as against present requirements of $4,000,000 annually. The stock is considered a fair speculation at prevailing quotations, even though it might possibly decline further

HOCKING VALLEY

Cons. 4½s Well Secured

These bonds are a direct lien on the entire mileage owned, subject to $3,842,000 prior mortgages, to retire which sufficient of the issue are reserved (Secured by a joint mortgage, whereby they are a lien on the coal lands owned by the Buckeye Coal & Railway Company). They are additionally secured by deposit of $200,000 capital stock of the Boston Coal Dock & Wharf Company; $255,000 stock and all the bonds of the Wellston and Jackson Belt Railway Company. The sinking fund provides that the Buckeye Coal & Railway Company shall pay to the Hocking Valley Railway, 2c. per ton on all coal mined from the lands of the former, to be employed in purchasing bonds at 105 and interest; bonds so purchased to be cancelled. This security is a legal investment for savings banks in Baltimore, California, Connecticut and Maine, and is listed on the New York Stock Exchange. The security behind this bond is excellent, and it is generally considered a high grade issue in all respects. Over a period of ten years, the earnings of the road have been about 1¾ times the interest requirements.

STANDARD OIL COMPANY OF N. Y.

First Class Investment

Capital stock $75,000,000; par $100. Increased from $15,000,000 in June 1913 by the payment of a 400% stock dividend. The company has a long dividend record and at the present time is paying at the rate of 4% quarterly. Earnings have been growing rapidly and the net after the taxes and depreciation in the year 1919 amounted to $43,165,109 against $28,642,388 during the previous year. After the payment of dividends there was carried to surplus account in the year 1919, $31,165,109. The company's total surplus at that time amounted to $142,583,873. The earnings of the company during 1919 were equal to 57.55% of the outstanding stocks. This security has a high equity, is readily salable and first class in all respects.

ATLANTIC FRUIT COMPANY

Has It Discounted Adversity?

The company's funded debt consists of $10,000,000 7% sinking fund debentures. For the year ending December 31, 1919, the company's total operating revenue amounted to $3,191,681, and after deducting expenses, depreciation and reserve for federal taxes, the net profit amounted to $2,016,611; the company's profits during 1920 were $2,084,418 and the surplus, after all expenditures, including federal taxes was $1,058,619. Recently the company sold $600,000 five-year 8% notes. The company's earnings for 1920 were equal to $2.70 per share on the outstanding stock. The more favorable weather recently prevailing in the tropics has made the outlook for the company considerably brighter and the fruit crop for 1921 promises to be much better than that of last year. Adverse factors affecting securities generally at the present time may result in this issue selling somewhat lower. We are inclined to believe that the prevailing quotations have about discounted all adverse factors.

SOUTHERN CALIFORNIA EDISON

6% Bonds Should Be Held

This company was incorporated in California in 1909 as successor to the Edison Electric Company of Los Angeles, incorporated originally in 1898 as a California Corporation. The company possesses a very broad franchise and over 233 cities and towns in Southern California are served by it. From the years 1914 to 1919 inclusive, gross earnings have improved steadily and operating expenses have been held down well. After the payment of dividends on the first and second preferred stocks, the company in 1914 showed a deficit of $113,000, since then, however, a fair surplus has been shown over and

(*Continued on page* 791)

Readers' Round Table

FOUR LETTERS FROM INCOME BUILDERS

Ye Editor Browses Among the B. Y. F. I. Files and Finds Inspiration

Being in a reflective mood, ye Editor dug out the correspondence file of the Building Your Future Income Department and set to reading over some of the letters. It's a good thing to do this every once in a while. It imbeds our readers' viewpoint more firmly in our mind; keeps us in closer touch with their problems; in short, lessens the danger of our becoming theoretical or academic when we know, perfectly well, that what these readers want is *practical stuff.*

The letters, of course, reflected the views and tastes of every conceivable type of humanity. Let's look some of them over.

Letter No. 1

A reader in St. Paul, Minn., who has some very original ideas on finance, writes:

"In looking over your Magazine I found items which interested me very much, especially answering inquiries of readers. What I need just now is information about the proper way to go at it to make some companies come across with their Cash Dividends withheld from the stockholders for years. Some of these companies are 'Blue Sky Concerns'; some made a success and some did not. But, either way, you don't hear from them at all unless they force a special assessment on you as a stockholder to help keeping the Company above water.

"What I want to know is: How do you go at it to make them pay dividends? Or to get at the full value of their shares?"

A difficult problem, brother. The financial policies and practices of a company are controlled and dictated by its Board of Directors. If, in their judgment, the company is not in a position to pay dividends we doubt whether they could be forced to pay them—unless through the concerted action of a majority of the shareholders organized into some sort of a Protective Committee. Certainly, no single shareholder could manage this all by himself.

There's another way to look at this particular problem: Every corporation that can safely afford to pay dividends wants to do so. It establishes the corporation in the good graces of its shareholders; raises the value of its shares in the estimation of other investors; often improves its credit rating. If No. 1 is mixed up in some stock that's not paying dividends, it's ten to one the company behind just can't find the money. No amount of persuasion on his part could alter this predicament. His best plan, most likely, would be to get out of the stock.

As for the last questions about "getting at the full value of their shares," we say, unhesitatingly, it can't be done. Lovers of the abstract can dwell all they want on "book values," "asset values," "fair values," etc., etc. But in the final analysis no amount of theorizing will determine the price at which a stock should sell and a price everybody interested will agree upon.

The only price of any interest or significance to investors is the market price. It's the fullest value one can ever get at any one time.

Letter No. 2

The next letter to catch our eye read as follows:

"I read quite a number of your issues, bought at newsstands, and wonder if I might ask what form of investment you would advise for one who can probably invest $25 to $40 a month. Would it be Bonds or Listed Stocks? Preferred or Common?"

Of course, one can't say to this man: "Confine your investing to bonds rather than listed stocks." There's many a listed stock better than a lot of bonds we know of. It's the same with his question, "Preferred or common?" All one has to do is to get a mental picture of some of the Standard Oil common stocks (dealt in on the New York Curb and over-the-counter) and then contrast them with some of the rail or industrial preferred stocks dealt in "on the board" to realize that a common stock is not necessarily less meritorious than a preferred stock simply because it isn't in the same legal class.

This inquirer, ye editor would say, ought to read the Magazine regularly, instead of just now and then. Then he would gradually learn that **a corporation security is good or bad according to the merits of the issuing corporation and not according to any par value, or other classification, printed on the face of it.**

As for the problem which would then present itself—that of gauging the merits of individual issuing corporations—an average of pretty close to thirty corporations are exhaustively reviewed in every issue of this Magazine.

Letter No. 3

Letter No. 3 has one important question to ask:

"If you were just starting out in life, and had $250 to invest, in what would you invest that money?"

The Inquiry Department answered this question. Let's see what they said:

"LIBERTY BONDS!"

RIGHT!

Letter No. 4

The fourth letter to hand came from an old friend, with the note: "Thought this might prove as well done to your mind as to mine."

This was a "Sonnet on Speculation" by Roberty Calignoc, appearing in Odd Numbers (Geo. Bell & Sons, Publishers, Lond.) We quite agree that it is well done; and we pass it on for the final verdict of Round Table readers:

Pleasant is speculation, airy, free,
Whether in City markets' ebb and flow,
Or where quick intellects high-soaring go,
There is a relish in uncertainty.
Tell me that "this must absolutely be,"
And I the event no longer care to know;
But tell me only that "it may be so,"
And you have roused my sleeping Mercury.
Has life divine no speculative bliss,
No favoring chance, no flushed or paling cheek?
In one regard it is unlike to this,
They know no desperate hour, no dubious week?
Nay, the whole world a vast adventure is,
And prowling gods their mystic nurture seek.

CAN GERMANY PAY?

Some Readers Question Article by Frederick R. Coudert in Our February 19th Issue.

We have received a number of letters questioning some of the remarks made by Mr. Frederick R. Coudert in his article "Can Germany Pay?" published in our February 19th issue. As the general tenor of all these letters is the same it may suffice to print the following one:

Editor, THE MAGAZINE OF WALL STREET:

Sir: Kindly permit me to call your attention to statements in your recent article "CAN GERMANY PAY?" by Frederick R. Coudert, which statements are misleading until analyzed on a dollar basis. The author undoubtedly overlooked this matter. Reference is made to the "extravagance" in the current German Budget, that naval expenditures are greater in the present time than in 1913 and by innuendo that if such were not the case Germany would be able to meet the demands of the Allies of Two Billion Gold Marks annually. By converting the sums into dollars and taking the proper values of the Mark the error will be readily seen. In 1913 the expenditures of Germany for the Navy were roughly $53,000,000, the present budget item on the basis of $.0165 for the mark becomes $8,761,500 which sum is about one-sixth of the sum used in 1913 and not twice as large as the article indicates. Converting the Budget for the Unemployed in a similar manner, this sum becomes $8,250,000 or 15c. for each inhabitant of the now existing Germany, this sum being the budget for the whole year. But, not allowing such extravagance, and applying the entire sums, budget for navy as well as unemployed, to payment to the Allies, a sum of $483,000,000 will have to be secured from other sources and not only $232,000,000 as the unconverted figures in the article would indicate.

In order to avoid errors of this kind, would it not be well to have all articles appearing in your Magazine worked out on the basis of the dollar, and of present values of European moneys, so as to make the articles more enjoyable. If my inter-

pretation of Mr. Coudert's article is erroneous, I would be pleased to be corrected.

Very truly yours,
OTTO DIECKMANN.

The letters received were taken to Mr. Coudert's office. Mr. Paul Fuller, Jr., of the firm of Coudert Brothers, sends the following reply to the one printed above.

Editor, THE MAGAZINE OF WALL STREET:

Sir: I have seen Dr. Otto Dieckmann's letter in which he discusses Mr. F. R. Coudert's interview which appeared in your Issue of February 19th under the heading CAN GERMANY PAY?—I cannot agree that Mr. Coudert's article is in any degree misleading. In discussing the German Budget he refers throughout to "marks" and in conclusion asks the question whether "with these figures in mind does the first annual payment of two billion *gold* marks seem excessive."

It seems to me elementary that the budget and the amounts of payments made by the German Government to its pensioners would be in the currency of the country, which it properly describes as marks, and the distinction between Germany currency and gold marks to be used in paying a foreign indemnity is fairly and clearly stated in the Coudert interview.

On the other hand it would be obviously misleading and inaccurate to discuss Germany's domestic or interior indebtedness and budget in terms of the dollar. While it is true that the buying power of the mark in Germany is far below what it was in 1913, it is equally true that it has not depreciated for domestic purposes to the same extent that the mark has depreciated in foreign exchange. Nor can the power of the mark be accurately or arbitrarily determined by pointing out the depreciation in gold reserve.

It would be well for Mr. Dieckmann to remember that in discussing Germany's extravagance in the matter of civil and railroad employees there is no question of paper or gold marks and it still remains obvious to me that any fair-minded examination of Mr. Coudert's article would be quite convincing that whatever efforts Germany intends to make will not be with a view to making reparation for her crimes but rather toward building up another machine such as she had in 1914.

Very truly yours,
PAUL FULLER, JR.

AN INCORRECT IMPRESSION

Editor, THE MAGAZINE OF WALL STREET:

Sir: We read with a good deal of interest your various publications, and notice in the issue of February 19, on page 548, in answering question as to proper broker, this fact—

"Q.—When can you deliver shares purchased by me today?

"A.—If the broker is in New York, I can deliver them tomorrow."

We do not want to disagree with this entirely, as this is absolutely true in 100-share certificates. We find, however, that the majority of the people who are building up their investments and have not much money, rarely, if ever, purchase in units of 100 shares, and **in the case of odd lots in only about 50% of the time can actual delivery be made the day following the sale.** The best that can be done is to get a name for transfer on that day, delivering the next day, or delivering the fractional certificate on the second day; this being due to the fact that it, of course, takes one day to break up a certificate into the exact size it may be desired. Would it not, therefore, be well to mention a fact of this sort, so that a person would not get a wrong impression, as he might get in expecting delivery in one day?

Also, how about when a corporation's stock books are closed, say, for annual meeting?—W. G. S. & Co.

The reference in the article referred to was entirely to 100-share lots. More precise language should have been used to show that odd-lot transactions were not being considered. Our correspondent is correct.—EDITOR.

Investment Features of Brazilian Bonds

(*Continued from page* 745)

at 105. The bonds are due January 1, 1936. This is unquestionably a high-grade investment and is the obligation of a state whose credit rating is very high. The issue is listed on the New York Stock Exchange.

THE CITY OF RIO DE JANEIRO 6% serial secured gold bonds of 1919 were brought out on a 6½% basis nearly two years ago, when interest rates were lower than they now are. The bonds are a direct obligation of the City of Rio de Janeiro and were issued under direct authority of the federal government. They are secured by a deposit of $36,375,000 par value of the 4½% bonds of 1912. Through this deposit the bonds obtain a lien on the property tax which specially secures the 1912 issue. This is well in excess of the requirements of the 1919 loan.

The 6% loan of the City of Sao Paulo, issued in 1919, has many similar features found in the City of Rio de Janeiro loan. It is secured by a first or preferential guaranty in relation to the "Transportation Tax" and also a similar guaranty in relation to the "Tax on Industries and Professions." These bonds were originally offered at 95. They are due in 1943.

THE SANTA CATHARINA ISSUE of 6% secured sinking fund gold bonds, which was brought out the latter part of 1919, follows closely the provisions of the two issues just described, and is also secured by special taxes. This issue, however, was not a successful offering and the bankers and the government of Santa Catharina have been in dispute about the issue for over a year, both sides taking the case to court. The bankers recently went into the hands of receivers, which has still further involved the dispute. The State has an excellent financial record and is enormously rich in natural resources, considering its area.

Some Public Utilities

In addition to these dollar loans there are a few public utilities that have been financed to some extent in this country. One such issue is the three-year 6% secured gold notes due 1922 of the BRAZILIAN TRACTION, LIGHT & POWER COMPANY. The amount of this issue was $7,500,000. This company controls the electric light, power, telephone, gas and street railway business in Rio de Janeiro and Sao Paulo.

It is in the sterling issues that American investors at present are taking the most interest. With these issues there is an added speculative attraction of being able to purchase high grade government bonds paying 4, 4½ and 5% at a discount in London and with sterling exchange at a discount. At present dollar prices, there are several issues that yield from 7 to 9%.

Favorable Features of Tabulated Bonds

In the accompanying table are shown the principal foreign loans of the Brazilian government that have attracted attention from investors in this country and that have been brought over here in considerable volume. There is also shown the approximate prices and yields for the bonds at the time this article was written. As has been stated above the sinking fund provisions of these issues have been suspended until 1927. It will be noted that all of them can be purchased now at most attractive prices and with the possibility of appreciation, both from an advance in sterling exchange and advance in price on the London Stock Exchange. They may be summed up as follows:

Their safety is assured beyond a reasonable doubt.

They enjoy an active market.

Their yield is extremely attractive.

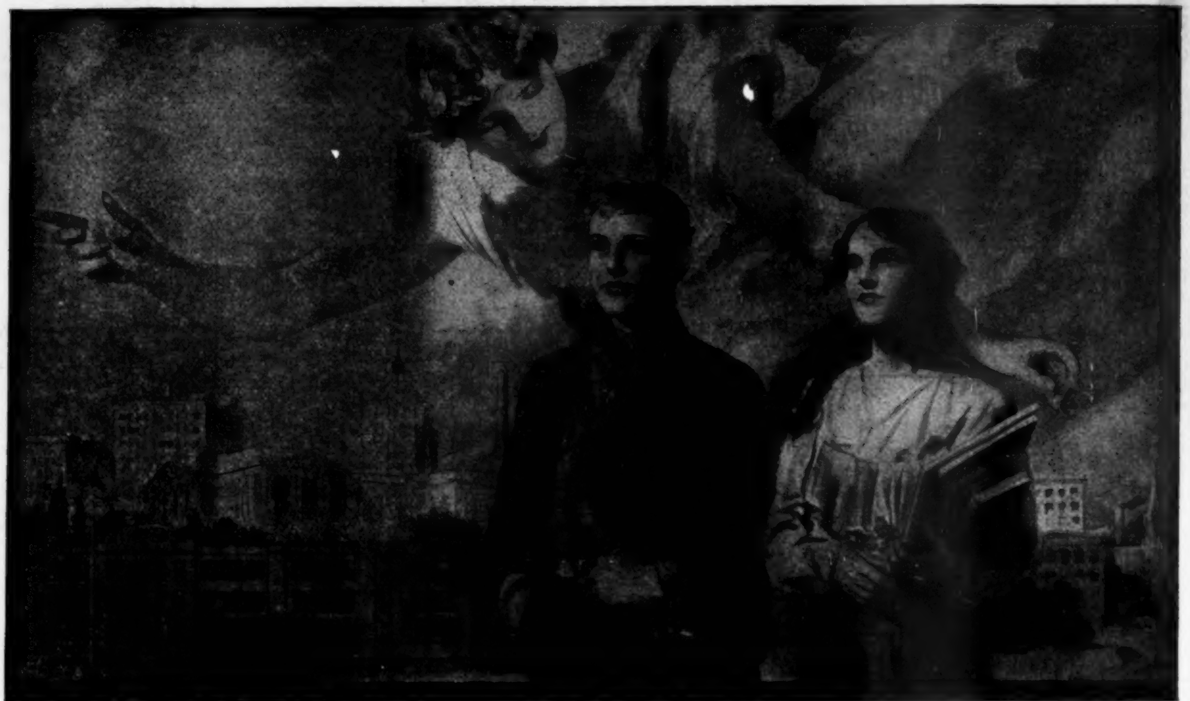
They offer a high speculative value due to the present low price of sterling.

Some of them are secured by special provisions.

Brazil's Future

In conclusion it can be said of Brazil that she is one of the coming great agricultural and commercial nations of the world. She is today making extensive plans for the development of her natural resources. She has already made contracts for starting reclamation and railway electrification work, some of these contracts having been made with United States interests. She has 16,000 miles of railways, tapping the great cacao, rubber, sugar, cotton and coffee districts. She is attracting large numbers of immigrants, principally Portuguese, Spanish and Italian. In the first three years of the war 700 new factories were established, of which 328 were in Sao Paulo, to produce chemicals, furniture, paper, leather goods, machinery, toys and other products. Like other South American countries, she is suffering from the rise in the price of the dollar and from currency inflation. In 1920 she bought extravagantly from other countries, a thing which America has been guilty of many times. Our natural resources were so great we were able to pass over such periods and continue our progress. Brazil is in the same position. Her future is assured because she has the natural wealth and the labor to progress.

Brazil needs capital today and will for many years to come. If this capital is supplied by American investors, American trade will profit and it will be another step in the cementing of friendly relations between the United States and Latin America.



Courtesy National City Co.

Building Your Future Income

Thoughts on Saving

FROM the farthest past to the present, the verdict of every thinking man and woman has been and is in favor of saving. You read the injunction to save in the Bible, in the Koran, in the Zend Avesta, in the writings of Confucius. The most convincing arguments ever written on the subject of saving were advanced by the old Greek philosophers.

Ask the world's richest men who dwell in the largest cities and they will tell you to save. Ask the leading men in your town and they will tell you the same thing. In every utterance of authority we find the command.

You heard it when you were five years old from your mother's lips, and you practiced it by putting your pennies in the bank through the same slot by which, a half hour later, you would shake them out again.

Ninety men out of a hundred die poor. How many would die poor if, during the producing period of their lives, they would put something away out of the wreck of each year, as against the time when their producing period is over?

* * *

IF saving is important to the individual, it is no less important to society. Thrift makes better citizens, and good citizens make a stable nation.

The restless and dissatisfied class who agitate and seek to destroy, are not savers. Their leaders have money but the followers have none. Bolshevists, burners, boycotters and burglars are not savers.

Not long ago a certain judge of one of the criminal courts in New York City passed sentence upon a young man who was convicted of a charge of inciting to riot, and pronouncing sentence, asked the usual questions. The young man stated that he had no one dependent upon him, that for several years he had been drawing on an average of $41 a week, that he had no property and had never saved anything from his wages.

"You typify," said the judge, "the average agitator who comes here from Europe. You have earned good wages for a number of years and have not accumulated any property or money. That fact accounts, in a large degree, for the poor quality of your citizenship."

The agitator "blows" his money if he makes it, or is idle and does not make it, and then he abuses others who work and save and get ahead.

The real builder of character and opportunity—the proud author of his own book of success—the vital factor in orderly society, and the best hope of the nation is the fellow who saves and wisely invests a part of what he earns.

* * *

THE many preachers on the subject of saving draw pictures in order to drive the lesson home. They picture two young men, one who spends his wages or salary recklessly, who follows the bright lights and deals in wine, woman and song, who plays cards and pool and shoots "craps," and divers and sundry other similar things. His associate does nothing of the kind, but saves his money. He keeps out of his pay envelope just enough to pay his board and puts the rest in the savings bank. He is diligent in his work, and spends the whole livelong evening until way into the night studying and digging. He buys cheap clothes, will not go to the theatre unless somebody buys him a ticket, will not smoke, nor riot in the luxury of a watch fob.

Their picture shows how, in the course of time, the spender becomes a down-and-outer and is finally forced to go to his friend the saver, whom he always scorned, to borrow money wherewith to keep out of jail. As the saver, on mature thought, decides to advance this sum of money to his friend, he takes it upon himself to deliver a nice little lecture upon the evils of extravagance and the blessings of frugality.

Of course, this is all true. But the picture of the poor fellow who digs and delves and toils and saves, who has no pleasure, no luxuries, and only a fraction of the necessities of life, is a dreary one indeed. We feel like side-stepping that sort of thing.

In order to save money you don't have to be a recluse nor a hermit nor a mortifier of the flesh. Have a good time. Go to see good plays. Buy good books. Wear good clothes, and don't get so serious that you can't play once in a while.

The idea is this: If you get twenty-five dollars a week, don't try to save fifteen out of it. If your board is eight dollars per week and your laundry and other incidentals two dolars, making ten, it leaves fifteen out of your salary every week. This fifteen dollars is not to be saved, and when the word saved is used here it means saved permanently. Take five dollars out of the twenty-five and save that.

Too many young men go too far with the savings idea. Inevitably, they get tired of the process before they are very far along with it. Finally they give it up altogether.

Do not let your savings master you, but master your savings.

"I Coolly Intend to Be Independent at Fifty"

Bank Clerk, with an Eye to the Possibilities of Systematic Saving, Lays Groundwork of $6,000 Income

By **FRED J. SNOW**

I CANNOT write of my success as an investor nor of investment pitfalls that I have encountered; by circumstances of birth I am 22 years old and, therefore, instead of a record of past years I have to submit "My Plan for Achieving Financial Independence."

Subsequent to the termination of the War I had saved $500, which I invested in Dominion of Canada Victory Bonds; in bonds as solid as the continent, I invested this way because of my fear and ignorance of all stocks, good or bad, and because I knew that a loss would utterly ruin my schemes for savings. My idea is that a young person had better put his savings in bonds until his knowledge of other fields of investment widens. If he were to lay his savings in some stock that would prove worthless he would likely become discouraged and ultimately become a spendthrift.

I am a clerk in a bank. My salary in 1919, with bonuses that can be called regular, was $1,350, of which I saved $450, plus the income of $30, from my Victory Bonds, $480, saved in all. This year my salary being $100 greater I have saved $550, plus an income of $58, on my total assets at the end of 1919. My intention is to save from my salary each year what I saved from it the previous year, plus my annual increase and my income from investments.

And now the accompanying chart will show how it is reasonable to expect that saving from salary and investments it is possible to attain financial independence when fifty with an income of $6,000.

Picking the Flaws

All such prognostications are theoretical conjectures and can be picked apart by innumerable flaws. Let me first attack it, at the same time showing my weapons of defence. Like the Carthaginians, let me demolish my wall and then stand in the breach.

Though I am to save nothing from my salary after reaching 45, it is impracticable to live on $900, or $1,000, right up till then. No provision has been made for some things. Marriage, too, is a possibility. (The conception is delved from the innermost caverns of my imagination), but the most Heaven-begotten union would not be a howling success on one thousand per annum, even though the weaker member were all that the Celestial auxiliaries could make her, and her earthly spouse a paragon of economy.

But married men enjoy more salary and larger bonuses. The increase in salary of $100, that I show, is the very minimum, and it is reasonable to suppose that a salary of more than $4,000 would be reached before 45. Nearly all whom I know with any fire in their frame have done so. Therefore, 'tis lawful to believe that one would actually earn more than I have set forth in the schedule. Let those extra amounts provide for the maintenance of a household.

Note that all income from savings is calculated at 6%, which is conservative indeed. There is also enhancement of the values to be borne in mind. Notice that no account is taken for increased dividends, stock bonuses, improvements in the value of stock, the profits of which I may have taken or benefits from "rights." The loss from worthless stock is going to be very small. I shall write of that later on. I have made no provision for illness or other unalterable circumstances. I believe that the ordinary gains that I have omitted will cover the expenses incidental to the average person's share of infirmities.

As to a 6% Yield

Regarding the investments returning at least 6%, that are never going to fail, but are to yield perpetually like the apple trees of the Hesperides, as I said before, bonds for a young investor always, and bonds for any investor, when there is any hesitation or doubt. National, Provincial, or sound public utility bonds are the first to look for. The proper study of stock is stock. Carefully observed stock generally offers more lucrative returns than bonds, but stock is to be handled warily by an investor until he has satisfied himself concerning the following cardinal points. The value of the stocks, its record as a money maker and its chances for continued success and improvement. The directorate, their record, the public opinion and the staple that the stock represents. The value of the stock is not always the market bid or ask. The latest available statement of the company is the best means of gauging its value. To ascertain the book value and to determine whether the statement be exaggerated or conservative is generally not very difficult. Its record can be discovered by comparing its annual statements or by the perusal of a financial review. Its chances are a matter of opinion affected by conditions. Is the company engaged in the production of a necessity? Is the market for its product receptive? What are the known methods of transportation, and how is competition? And very important is the management. And the directors, who are they? If quite new, it may be a submerged venture; its real value be comparable to an electron in the Pacific Ocean. How do the general public regard the company or its men? When one has satisfied himself on these points, bad luck or diabolical fate is the only thing to fear.

HOW IT WILL BE DONE.

Age 20	Saved from Salary	Income from Investments	Total
1st year ..	$450	$30	$480
2nd " ..	550	58	608
3rd " ..	650	95	745
4th " ..	750	140	890
5th " ..	850	193	1,043
6th " ..	950	256	1,206
7th " ..	1,050	316	1,366
8th " ..	1,150	398	1,548
9th " ..	1,250	491	1,741
10th " ..	1,350	595	1,945
11th " ..	1,450	712	2,162
12th " ..	1,550	842	2,392
13th " ..	1,650	985	2,635
14th " ..	1,750	1,143	2,893
15th " ..	1,850	1,317	3,167
16th " ..	1,950	1,507	3,457
17th " ..	2,050	1,714	3,764
18th " ..	2,150	1,940	4,090
19th " ..	2,250	2,186	4,436
20th " ..	2,350	2,452	4,802
21st " ..	2,450	2,740	5,190
22nd " ..	2,550	3,051	5,601
23rd " ..	2,650	3,387	6,037
24th " ..	2,750	3,750	6,500
25th " ..	2,850	4,140	6,990
26th " ..	....	4,559	4,559
27th " ..	....	4,832	4,832
28th " ..	....	5,122	5,122
29th " ..	....	5,430	5,430
30th " ..	....	5,756	5,756
			$101,635*

*At 6% will yield about $6,000 annual income.

Rare Opportunities

Wordsworth once said, commenting on the glories of the French Revolution—

"How great in that dawn to be alive
Yet to be young was very heaven."

what would he say today, if he were alive, interested in stock and beheld their prices compared with prices of a decade ago! What opportunity for a frugal and careful investor!

Stocks and bonds are the cheapest things in the world. That fact assists my argument and chart for $6,000 a year at fifty. What I intend to buy, in a small way, of course, are those stocks that answer best to the requirements stated before. Some are ridiculously cheap; their prices are forced down by shortage of money for market purposes, what funds that exist being employed at speculative ventures, and by foreign holders selling to benefit by the favorable exchange prevailing on this continent. Present conditions, therefore, are like a field white unto harvest.

Recommends Instalment Plan

I recommend the buying of securities on the installment plan as conducive to thrift. I, myself, have proven it. 'Tis much easier to pay off a debt than to save for some indefinite object. Money actually in hand is sometimes difficult to retain. Possession is shadowed by temptation. And another benefit is that your name on the lists of a reliable investment house brings you circulars, prospectuses, improves your financial knowledge, occasionally summons your attention to a worth-while stock.

Financial Independence Possible to All

I believe that financial independence can be achieved at fifty by anyone. I have demonstrated a few points about stocks that I suppose everyone knows already, but 'tis certain that everyone does not follow them. More important than the well placing of savings, is the frugality and extreme care with money that must con-

trol your life. Any mathematical array will count for nothing unless the cents be carefully guarded.

I have made no direct reference to personal frugality. The figures show that I lived and live on less than $1,000. I practice no hermitical self-denials, but with the assistance of Providence I coolly intend to be financially independent at fifty.

As suggested by this young gentleman himself, there are flaws in his plan, though modesty compels him to imagine that they may be innumerable. Perhaps the chief flaw is the assumption that a return of 6% on money invested may be confidently anticipated during the many years—we hope they will be very many—of this young man's career. Years ago a return of 5% or even less was considered excellent on a high-grade investment security and there is the possibility that in the years to come, money rates will again descend to the level which makes such low yields attractive. This, of course, would tend to throw out the calculations in the table.

Further, insufficient provision has been made for the ordinary obligations of maturity. There are such things as children and the many expenses which are involved in their upkeep. Then there are accidents and other vicissitudes and these sometimes destroy one's savings efforts.

On the other hand, the investments this young man would make might turn out more profitable than expected.

What we are trying to suggest is that it might well turn out at the end of the 30 years of savings that the final result would be entirely different from those planned. Nevertheless, despite the fact the final result might be different from what is expected, the plan is intrinsically sound; for it is based on the two corner stones of financial independence—regular and systematic savings and re-investment of those savings in sound securities. With that idea no one can ever find fault.

The plan itself should be considered the basis of a policy rather than something which can be lived up to in exact form.—EDITOR.

More About Credit Insurance

Letters of Inquiry Received Indicate Growing Interest in This Branch—How Credits Should Be Limited

MANY letters have been received from wholesalers and jobbers asking for more information concerning Credit Insurance. These inquiries were prompted by our article on the subject which appeared in the February 9th issue of this magazine.

During 96 years, from 1811 to 1907, there were 12 business crises in this country, averaging one every 8 years.

Between 1890 and 1919, approximately 400,000 merchants in the United States failed, owing about $5,440,000,000.

In one decade ending in 1916, the insolvency loss of merchants on goods sold in the United States and Canada was greater by $356,000,000 than the fire loss of all merchants, railroads, owners of timber lands, and householders combined.

This would go to show that the bad debt loss is a very heavy tax upon the business of this country.

It would also go to show that there is a need for insurance against such loss.

A merchant may be rated as of good credit, and yet he will buy goods from salesmen representing scores of separate houses, and go in debt for these goods. When this is overdone bankruptcy is the usual result. The human death rate is reduced by the practice of hygiene and the employment of doctors. Fire losses are minimized by every device that can be thought of. Then why do not merchants arrive at bad debt losses systematically and try to prevent them scientifically, and protect themselves through the agency of insurance?

Limits of Credit

The granting of credit should be based on,—first, character and business ability of the seeker of credit. Second, the nature of business. Third, ratio of current assets to liabilities.

Those who turn their products over rapidly should have a ratio of not less than 1½ of available resources to 1 of current liabilities,—the ratio of those whose terms of sale are long should be not less than 2 to 1. Conservatism in prosperous times should cause merchants to reduce their reserve.

The ratings of the mercantile agencies reflect these facts. The capital rating represents the pecuniary strength, and the credit rating represents the character, ability and paying reputation.

In the banker's case loans are made on what the merchant has. He pays attention to the ratio of quick assets to liabilities. Quick assets consists of cash, notes and accounts receivable, and merchandise. *The value of* the *notes* and *accounts are fixed only* if *insured.*

The merchant is almost compelled to sell his goods on credit without security and without interest, and often upon meager information. Credit insurance is based upon the ratings, and protection is afforded to as many sales as are made by the policy holder to all of his customers having the covered ratings.

MAXIMUM INSURANCE ON SPECIFIED RATINGS.

Column 1 Financial Rating or Financial Worth	Column 2 First Credit Rating Coverage	Column 3 Second Credit Rating Coverage
$1,000,000 and over	$100,000	$35,000
750,000	75,000	30,000
500,000	50,000	25,000
400,000	50,000	25,000
300,000	45,000	20,000
250,000	37,500	20,000
200,000	30,000	15,000
150,000	30,000	15,000
125,000	25,000	15,000
100,000	20,000	12,500
75,000	17,500	12,500
50,000	12,500	10,000
35,000	9,000	7,000
20,000	5,000	4,000
10,000	2,500	2,000

The table herewith gives what is regarded as conservative maximum for insurance on the ratings specified. If the customer is given by the Mercantile Agency a Capital Rating indicating a financial worth designated in Column 1, and it is followed by a First Credit Rating, the maximum Coverage thereon will be limited to the amount in Column 2, and if the Capital Rating is followed by a Second Credit Rating, the maximum Coverage is specified in Column 3.

Credit Insurance indemnifies you for your abnormal losses. It is because you may not always be able to keep your losses down to the normal every year, that you are running a risk. Conditions are not always the same,—your customers are not always the same. Credit Insurance fixes things so that your mind may rest contented in the knowledge that your loss ratio will be kept within the normal.

In addition to insurance, such a policy would provide and promote more prudent selling, and also furnish superior collection service to policy holders.

Provisions of the Policy

The rates have to be fixed after your situation is studied by a credit insurance company. The policy is renewable yearly. The guaranty is for the replacement value of the goods. The policy affords protection on as many sales as are made to all customers with preferred ratings and for an extra premium will give additional limited protection where insurance is desired on customers who have inferior ratings.

Where there is an excess loss the adjustment and payment is made promptly after the expiration of the policy or from time to time as excess losses occur.

The American Credit Indemnity Company sent out inquiries to 216 representative wholesalers in the United States and asked each one of them as to the policy of the house in collecting its accounts.

95 merchants said,—Watch accounts carefully,—collect promptly when due,—insist on adherence to terms of sale. 37 merchants said,—Collect closely—as closely as possible—more closely in falling prices than ever before. 50 merchants said,—Push collections—collect every month—if accounts drag, and persuasion fails, the matter should be handled by the Legal Department. Refuse credit to buyers who prove slow in paying their bills. 35 merchants said,—Use firm but not hysterical methods—collect maturities and avoid extensions, and grant leniency where warranted.

These principles are very good in theory

(Continued on page 777)

The Mortgage Investor

Relative Merits of Mortgage Bonds and Corporation Bonds—Mortgage Investments No Longer Require Personal Relations with Mortgagee

ARTICLE TWO

UNTIL twenty-five or thirty years ago, farm mortgages and mortgages on city real estate were little known to the general investor. Moneyed institutions were familiar with this type of investment, but as far as the individual was concerned only a few organizations had been created for the systematic marketing of mortgages. Well-to-do farmers and local financiers, familiar with property values in their communities and with the credit ratings of their neighbors, quite frequently advanced money against mortgage security, but the transaction was of an individual sort and nothing approaching a standard had been created with regard to interest rates, security, terms of repayment, or the numerous other details which are connected with investments.

Farm and Urban Mortgage Bonds Popular

Today, mortgages on farms and urban realty are making a serious bid for the funds of the general investor. The steps by which mortgages have been brought into this position of prominence will be discussed in succeeding articles of this series. For the present, it will be necessary to assume that the investor who is asked to choose between a mortgage and such a familiar obligation as a corporation bond will want to compare some of the fundamental characteristics of these two types of security. Wherein are bonds superior to mortgages as an investment, and what good qualities have mortgages which bonds lack?

The comparison does not narrow itself down merely to bonds and mortgages, but to corporation bonds such as those of railroads and industrial companies on the one hand, and entire or subdivided mortgages on the other hand. That is, arrangements have been perfected, especially in connection with mortgages on city real estate, whereby a mortgage on a piece of property is used as a basis against which mortgage bonds are issued in convenient denominations, usually ranging from $100 to $1,000. In some cases a number of mortgages are pooled in the hands of a trustee and real estate bonds issued against the whole lot.

Thus the investor may buy an actual mortgage, or a bond secured by a real estate or farm mortgage. It might appear that these bonds should be classed with corporation bonds, in distinction from outright mortgages, but the type of security and the other characteristics of real estate bonds are such that they will be considered as a department of mortgage investments rather than of bond investments.

The Investor's Requirements

Safety is the prime consideration, the starting point, in deciding upon any investment. Assuming a greater or less degree of safety, such matters as interest return, stability, ready marketability, convenience, prospect of appreciation, etc., will enter into the investor's calculations. Procedure in case of insolvency of the debtor will also carry weight.

It is impossible to draw a hard and fast comparison between bonds and mortgages with regard to most of these qualities. Thus, with regard to safety, it will hardly be contended by the most enthusiastic advocate of the farm mortgage or real estate bond that these obligations are as safe as a United States Government bond. But neither will any dealer in corporation bonds make such an assertion regarding his wares. It is possible to secure a mortgage or mortgage bond which is as safe as a railroad bond. More important still, the present-day machinery of the mortgage business makes it easily possible for the investor to find out just how safe any mortgage is, just as it is possible to form an opinion as to the safety of railroad or industrial bonds.

The question of safety of mortgage investments may be dismissed with the remark that the insurance companies and savings banks of the United States, which are closely regulated by law, have for years been placing enormous amounts of their money, which for practical purposes may be considered as fiduciary funds, in mortgage investments. Mortgages are safe and are recognized by competent judges as safe, just as "blue sky" stocks are, by common consent, unsafe. Losses in well chosen mortgages, sponsored by reliable mortgage bankers, are so rare as to be a curiosity.

Income from Mortgages

The income from an investment in mortgages compares favorably with what can be secured from an equally safe bond investment. In fact, the yield on mortgages is as a rule somewhat higher. The highest class of city real estate bonds generally pays 6% in the highly developed centres of population and industry in the eastern States. In other sections of the country a rate of 7% is easily obtained with a degree of safety which leaves little to be desired. With regard to farm mortgages, 6 to 7% is commonly offered on mortgages secured by farm lands in the finest agricultural sections of the country, such as Iowa and numerous western and well developed southern States. From that figure the rate advances with the less desirable security of less stable agricultural sections.

The two elements of marketability and appreciation of principal may as well be marked off at once in favor of corporation bonds—though the honors are actually divided with regard to the question of appreciation, for the chance of appreciation is also the chance of depreciation. If mortgages do not appreciate, neither do they depreciate. No wide market exists for mortgages. Having invested, the investor is as a rule best off if he puts his security in his strong box and forgets about it. It is, of course, possible to dispose of it by private negotiations, but such a sale would not constitute a market. The banking houses which issue mortgages or mortgage bonds will often take back a security from an investor if he asks it, stating his reasons for wanting his money back, but the houses are few indeed which definitely promise to repurchase their offerings. The fact that no market exists for mortgages or mortgage bonds likewise disposes of the question of price stability. If the holder of a mortgage wants to determine whether his security is at a premium or a discount, he must figure it indirectly. If he could obtain a higher rate from other equally safe investments, he may calculate that his mortgage is at a discount. If the prevailing rate of interest is lower than his mortgage return, his mortgage is theoretically at least at a premium.

Mortgages Now "Impersonal"

In the days before mortgages became a standardized investment, bonds had this advantage, that they were an "impersonal" investment. The bondholder did not have to dun the debtor for interest and principal, while the mortgage holder frequently did, at the cost of friendship. But today mortgages are as impersonal as bonds. The security may consist of a building or a farm a thousand miles away, and the mortgage banker sees to it that interest and principal are collected and remitted. This same banker, with a reputation to protect, will look after foreclosures in case of necessity. Mortgage holders are virtually free from the worries and expense of protective committees, exchanges of securities, scaling down of debt, and assessments for legal costs—incidents all too frequent in the case of corporation bond investments.

MORE ABOUT CREDIT INSURANCE

(Continued from page 776)

but do not always work out in actual practice. Where goods sold have passed from the guarded possession of the seller into the keeping of the purchaser, the seller must depend solely upon the intelligence, success and good faith of the purchaser for the payment of his bill. He is unable to exercise any supervision over the business of the purchaser. There is an enormous daily loss by reason of insolvency, and under unforeseen conditions, such losses may be fatal to a business.

A credit company can precisely ascertain the risk it underwrites. A credit insurance company accurately knows the normal insolvency loss resulting from sales of $1,000,000 in any given line of trade. It knows what it is on a larger or a smaller volume.

It is impossible to set forth precise rates here, but if you want this kind of insurance, enter into a correspondence with a reputable and reliable concern that makes a business of writing it.—but first be sure of the standing of the company.

Public Utilities

Bonds and Stocks

Standard Gas & Electric Company

Group Operation Basis of Standard Gas' Progress

Company's Net Earnings Have Increased Each Year Since Organization — "Customer-Ownership" Also a Helpful Influence

By J. C. LESLIE

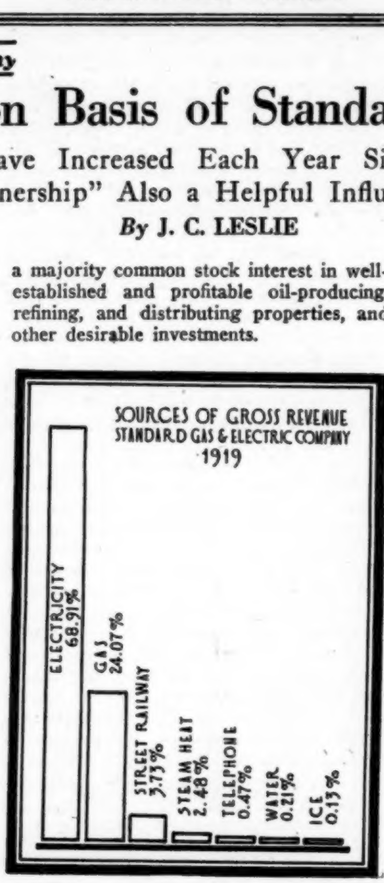
THE careful investor—the man or or woman who wants to save money and conserve capital—asks this question, "Where can I place my funds so that they will be safe and will pay a good cash return regularly?"

To such an investor certain public utility securities have an especial appeal: Among the light, heat and power companies we find a proven stability which is of utmost importance to the investor. In the first place, the services rendered absolutely require the creation and maintenance of large physical properties. These properties are enduring and cannot be picked up and moved away. In fact they grow as cities and towns and countrysides grow, and are just as permanent.

The services they provide are necessary factors in the lives, the industry, the comfort, the health and happiness of the people. Electricity from large central stations is the cheapest, the best, and the most convenient medium for securing light, power and many kinds of heating. Gas is pre-eminent for cooking and other domestic and industrial purposes. New uses for electricity are added frequently to the long list of services it is now performing for mankind. With the aid of large, centralized power houses and far-flung transmission lines, it is cheaply produced, cheaply sold and widely distributed even in these days of high prices. Stop the power houses and close off the gas supply of our cities and chaos would instantly follow. Electric and gas services to modern cities are as necessary as shelter and food.

Corporate History and Operations

The Standard Gas & Electric Company was incorporated under the laws of Delaware in 1910, and is one of the largest business organizations of its kind in the United States. It owns large investments in subsidiaries which conduct well-established and growing electric, gas, and other utility properties serving about 500 cities and towns with an estimated population of over 2,200,000. In addition, it owns a majority common stock interest in well-established and profitable oil-producing, refining, and distributing properties, and other desirable investments.



The constantly increasing earnings and the steady progress of the properties back of the company should be studied in the light of the commercial and financial conditions through which the United States passed since its formation. First, there were three years of peace, or normal times; second, two and one-half years of European warfare; third, nearly two years disrupted by our own participation in the war; and then a period of reconstruction.

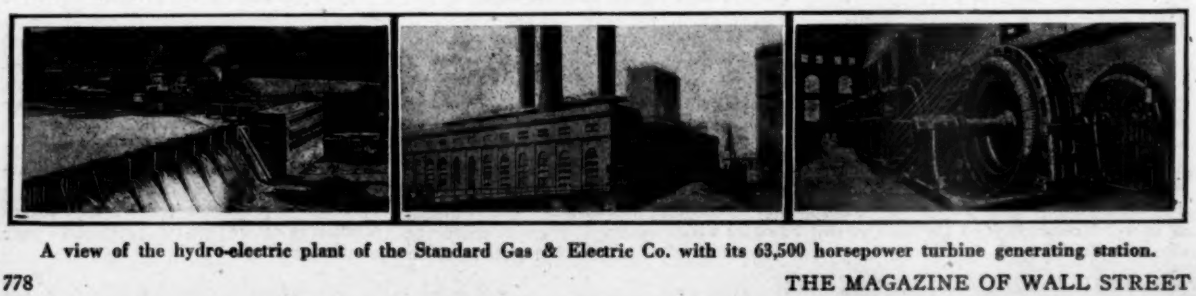
Despite the economic upheaval caused by the war, it will be seen that this great group of properties supplied ever-increasing quantities of necessary service to more people and more industries year by year. Even during 1917 and 1918, when Government and management endeavored to restrict extensions and improvements as a war measure, it was impossible to stop the growth of these enterprises, owing to the vital character of the demands for additional service.

By far the larger proportion of revenue of this corporation is derived from the furnishing of electricity, which represents the fastest growing class of public utility service. No one can safely prophesy when the increasing use of electricity will cease, if ever. Government statistics show that the use of this mighty force has advanced with amazing rapidity.

To show how electrical demands multiply, it is necessary merely to consider the electrical output of the power houses at the Standard properties over a period of years. In 1911 the production amounted to some 251,700,000 kilowatt-hours while in 1919 this output had grown to more than 770,800,000 kilowatt-hours, and the present indications are that this rate of annual increase will be maintained or exceeded indefinitely.

Additional elements contributing to the stability and strength of the Standard Gas & Electric Co. are found in the separated location of the properties. No local utility has unfailing prosperity but when the properties are scattered over many widely separated districts the variations in the earnings of any one locality are scarcely felt by the organization as a whole. The properties of this concern are grouped in more than twenty different sections of the Middle West, West, and South, serving thriving cities, towns, and industries of the most diverse character.

When one considers the varied products, resources, and industries of the states in which these subsidiary properties are located, and the fact that they serve substantial cities and, in many cases, the largest of the respective commonwealths, it will be seen that this company in itself, presents a diversity of investment which is seldom found in the average security. Truly, it may be said that the success of the company is coupled with the growth, stability, and prosperity of a large number



A view of the hydro-electric plant of the Standard Gas & Electric Co. with its 63,500 horsepower turbine generating station.

of the finest cities, towns, and territories of the nation.

Regulation and a Logical Solution of Public Ownership

Electric and gas properties serve best and cheapest when they are free from direct competition. This is true because of the large and costly plants and distributing systems necessary to cover a city and reach the people. Two systems mean double the investment, where a single system is sufficient. Doubling the investment means vastly increasing the investment charges, thus requiring rates higher than necessary for a single system to charge, if operation is to be carried on successfully. The economic law governing utility service is now generally known and understood.

Most utility companies today are under the regulation of state or city governing bodies, whose duty is to see that the public is treated fairly and that the companies are fairly compensated for the valuable work they do. Regulation has smoothed out many old-time problems to the advantage of all concerned. Electric and gas companies are not expected to earn excessive profits at any time, but they are entitled to reasonable profit at all times.

The utility subsidiaries of Standard Gas & Electric have always devoted painstaking attention to maintaining friendly relations with the public, basing this effort on a genuine desire to serve well at fair rates and to be a progressive and upbuilding force in the community. Such principles have not only been practiced, but have been voiced by a moderate and effective policy of frank publicity.

No utility organization can escape meeting problems from time to time, many involving public discussion. The companies here have met their problems in a straightforward way and have been successful in pleasing the public to an unusually satisfactory degree.

The principle of mutual interest between the public utility and the public served is now well recognized both by the utility and the public, and the best kind of ownership is that in which the securities of the public utility are largely held by the public served. This public then regulates the utility, and every shareholder very naturally feels a responsibility to do all he can to enable the company to render the most efficient and economic service possible.

Within the past six years this development has been taking place at the Standard properties, and it has been the policy of the management to further this method of ownership and the results therefrom have been exceedingly satisfactory. Customer ownership has proved to be the most advanced step yet taken toward rational public ownership of public utilities—the utility operated by those trained by experience, owned by its operators and customers, and regulated by intelligent, constructive public authority. This offers the best guarantee of economic and efficient service, with a fair return upon the investment of each shareholder.

The steadily increasing sales of securities of the company's public utility subsidiaries in the territories served by such concerns present evidence of the excellent public relations existing in practically all of the communities served. These local sales are assuming such proportions that in some instances almost all construction expenditures of the respective subsidiaries are met from the proceeds of such sales. Local sales began the latter part of 1915 and preferred stocks constitute the greater part of these securities sold in this way. During the past year over $8,400,000 of such securities were sold, or an amount almost equal to the total of such sales during the previous five years. Permanent financing of this character, relieving the companies in no small way of the necessity of providing from time to time for maturing obligations, has greatly strengthened the financial structure of these subsidiaries.

The Standard Gas & Electric Company is an excellent example of the value to the consuming public and to the investor of grouping or consolidating utility plants and distributing systems.

It should be noted that at nearly every property of this corporation a number of cities and towns are joined by transmission systems by means of which the utility requirements of a broad market are concentrated in plants of sufficient size to enable low-cost manufacturing and the utilization of water powers to the most economical advantage. In this way modern electric and gas properties have proceeded on the soundest of economic principles, and thereby have been able to resist the upward trend of price levels much better than most businesses.

In the case of the parent company, the placing of a large number of these grouped properties under one central management and financial direction carries the underlying idea a step further, and is a logical and valuable factor in achieving efficiency and stability.

By combining the technical and management requirements of a large number of properties, it is possible to maintain engineering, management and accounting staffs of the highest ability and experience, and to render such specialized services at reasonable expense.

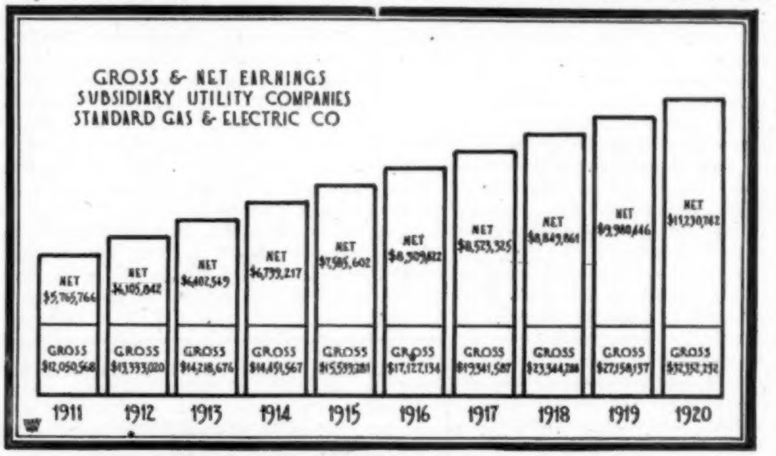
The engineering and management staffs provide the ability whereby plants and distributing systems are correctly designed and economically built; good service rendered at low rates; materials and supplies purchased on the best terms and creditable operating results accomplished.

Earnings

Both the gross and the net earnings of the subsidiary utility companies of the Standard Gas & Electric Company have shown a constant increase since the business began. In 1911 the gross earnings amounted to $12,050,568, while in 1920 this total had been increased to $32,352,232, and the net earnings during the same period have increased from $5,765,766 to $11,230,742. This steady increase is due largely to the company's expert management, engineering and accounting staffs which are composed of men with specialized knowledge and experience who have made a success of their life work.

There are thirteen utility subsidiaries which go to make up the above gross and net earnings reports; in twelve of these the Standard Gas & Electric Co. owns the controlling interest, and in the other, namely, the Northern States Power Co., it has a large but not controlling interest.

The outstanding capitalization of the parent concern consists of $18,619,400 funded debt, $12,379,850 8% cumulative preferred stock and $12,679,550 common; the par value of both the common and the preferred being $50.



The company reports in its own earnings statement only the "collectible income" and does not include the contingent interest in the undistributed balance of earnings retained in surplus or allocated to depreciation reserve by the subsidiaries.

Standard Gas & Electric Co. reports an increase of $115,716 in net revenue for the calendar year 1920, the total being $3,076,612. The annual report, which is now under audit, will show a balance to surplus of $713,685, or 5.62% on the $12,679,550 common stock outstanding after all interest charges, amortizations and full 8% dividends on the preferred stock. The 5.62% earned on the common for the year 1920 is after leaving approximately $1,600,000 in the subsidiary companies for surplus and reserves, which compares with 7.59% earned on the outstanding common for the previous year after leaving about $1,100,000 in the subsidiary companies for surplus and reserves.

In addition to the utility operations, the company owns a controlling interest in the Shaffer Oil & Refining Co., and this latter concern should contribute a very

(*Continued on page 790*)

Mining

The Seventeen Non-Copper Listed Mining Shares

What an Analysis of the Group Reveals—Prospects of Individual Companies

DURING periods of industrial depression, when securities are selling at prices considerably below average levels, it is a good time to comb over groups of securities representing certain industries, in order to determine whether any of them are selling at prices that may be attractive from the viewpoint of either investment or speculation.

With this idea in mind it is of interest to investigate the position of the 17 mining shares, other than coppers, listed on the New York Stock Exchange. With few exceptions these shares are decidedly uninteresting as compared to the copper shares. This situation is due, in part, to unfavorable metal market conditions, which offer little encouragement for profitable mining operations at the present time, and also to the fact that the other than copper shares listed on the New York Stock Exchange are not representative of the most successful mining ventures in this country.

It would be unsafe to purchase mining shares blindly, simply because they are selling at a relatively low price. If the factors which affect mining operations were similar in every respect to factors which affect the prosperity of other industrial operations, relatively low price of the shares might be a more important indicator of their attractiveness for speculation. However, it is necessary to go deeper than this, and investigate fundamental conditions that are likely to affect the prospects of the individual corporations represented by the shares.

The accompanying table contains a list of the shares under review, together with factors which may be of interest for purposes of comparison. In view of the generally unfavorable records of many of the companies during the past 5 or 10 years, it is apparent that listing on the New York Stock Exchange alone is no indication of comparative excellence so far as non-copper mining shares are concerned. The following brief reviews and opinions of the non-copper shares are submitted.

THE GOLD SHARES

ALASKA GOLD has been a great disappointment, due to the fact that the average value of the large ore reserve was overestimated, because of insufficient or inaccurate sampling, and also because the average operating costs were underestimated. The company has earned nothing on its capital stock, and has paid no dividend. Its funded debt amounted to about $4 per share in 1919, and its working capital is less than nothing. During the past five years it has operated at a deficit. The company's large plant equipment will represent a total loss, unless it can be remodeled to serve some other purpose than the treatment of ore that will not pay expenses. Consideration has been given a proposal to remodel the company's plant for the production of wood pulp but no tangible advancement has been made in connection with this project that justifies any assurance regarding its ultimate success. The company's production during the 5 years ended with 1919, averaged about 72,300 ounces of gold, which fell off during 1919 to about 70,000 ounces. The shares lack investment merit, and their speculative possibilities are dependent on the finding of some profitable use for the company's large milling equipment. (Present price, 1¼.)—vol. 26, p. 34.

TABLE OF MINING SHARES OTHER THAN COPPERS.

Company	Common Shares	Pres. Div. Rate	Current Rate	% Yield
	Golds			
Alaska Gold	750,006	0	1⅛	0
Alaska-Juneau	1,400,000	0	1⅝	0
Dome Mines	476,667	1.00	16	6.25
Homestake	251,160	0	50	0
Rand Mines	2,125,995 (a)	1.35 (c)	20	6.75
	Silvers			
Ontario Silver	150,000	0	4⅛	0
Batopilas	446,599	0	⅝	0
	Leads			
National Lead	206,554	6.00	72½	8.27
St. Joe Lead	1,550,413	1.00	11⅝	8.42
Federal M. & S..........	60,000	0	6	0
	Zincs			
Am. Z. L. & S.......	193,120	0	8⅝	0
Butte C. & Z.	600,000	0	5	0
Butte & Superior	290,198	0	12¼	0
Callahan Z. & L.	379,303	2.00	5¼	38.00
	Nickel			
International	1,673,384	0	15	0
	Vanadium			
Vanadium Corpn.	373,334	4.00	34	11.76
	Diamond			
DeBeers	1,000,080 (b)	2.36 (c)	18¼	12.93

(a) English shares, 150,000 of which are represented by 60,000 American shares listed in ratio of 2 American shares for 5 English shares. (b) English shares, 32,000 of which are represented by 80,000 American shares listed on basis of 5 American shares for 2 English. (c) On one American share.

ALASKA-JUNEAU is another mining disappointment. One small dividend was paid in 1897, and no other distribution has ever been made. The company has a funded debt of about $1.03 per share. It is virtually without working capital, and it has operated at deficit during the past 5 years. The company has attempted to exploit low grade ore deposits in the hope that it would achieve low-cost production by large tonnage operations. During 1918 its production was about 24,300 ounces gold. The shares present no investment qualifications and offer nothing attractive as a speculation. (Present price, 1⅛.)

DOME MINES has operated at a small average profit during the past 8 years, although it had a substantial deficit during 1918 and 1919. The company paid a dividend of $1 in 1915, $2 in 1916, $.75 in 1917, nothing in the 2 years following, and $1 in 1920. The present dividend rate is $1, and on this basis the yield is a little over 6%.

The shares have none of the elements of an investment, and they cannot be regarded as attractive from a speculative viewpoint at current quotations. (Present price 15¼.)—vol. 27, p. 481.

HOMESTAKE is one of the famous gold mines of the world, particularly notable for its profitable exploitation of immense low-grade gold ore deposits. During the past few years its record has been unsatisfactory from a stockholder's viewpoint on account of accidents at the mines and unfavorable industrial conditions. Its average earnings amounted to $5.22 a share during the past ten years, $3.57 a share during the last five years ended with 1919, but it operated at a deficit of $2.16 a share during the year 1919. Its recent dividend record is as follows: $8.80 a share in 1915, $8.80 in 1916, $7.80 in 1917, $6 in 1918, $4.50 in 1919. Dividends were suspended in October, 1919. During the five years ending with 1919, the average production was about 288,000 ounces of gold, which fell off to about 210,000 ounces in 1919. Until conditions affecting the gold mining industry have become more seasoned, following recent industrial disturbances, Homestake cannot be regarded as an attractive investment. However, its relatively low price at this time, the prospect of an early resumption of profitable operations, and the probabilities of improved labor conditions as well as other factors which are likely to have a favorable effect on mining costs, give the shares fair speculative possibilities. (Present price, 50.)

RAND MINES is represented on the New York Stock Exchange by 60,000 American shares which are said to have been held formerly by Ex-Kaiser Wilhelm, listed in the ratio of 2 American shares for 5 English shares, the total number of English shares outstanding being 2,125,995, of a par value of 5 shillings each. The holders of American shares in a

foreign corporation of this character seem to be at a disadvantage in determining the value of their securities, not only because of the adjustment necessary for the ratio of American shares to English shares, (along with any artificial influences which might cause the American shares to sell out of line with respect to the English shares); but also because American holders cannot be immediately informed of the speculative influences which, from time to time, affect the market for the English shares on the London Exchange. Although Rand Mines is a holding company, with its risks well distributed over numerous successful producers in the Rand district, the fact should not be overlooked that the gold production of the Rand has been diminishing during the past few years and that the margin of profit is likely to decrease as time goes on. In other words, conditions affecting Rand are likely to become less favorable rather than more favorable in the future.

During the 5 years ended with 1919, the company's production averaged 8,832,232 ounces gold per annum, which fell off to 8,328,930 ounces during 1919. At the present dividend rate the shares yield a little over 6¼%. In view of the factors and influences above mentioned, and in the absence of any fundamental influences likely to justify a marked increase in the company's earnings, we fail to see anything attractive in these shares, from either viewpoint of investment or speculation. (Present price, 21⅛.)—vol. 25, p. 571.

Summarizing the above observations, two of the five listed gold mining shares are paying dividends at present, and neither of these is particularly attractive. The outlook for the two Alaska properties is almost hopeless in view of current prices. The only one of the lot deserving consideration is Homestake, which is a non-dividend payer at present, but which has fair speculative possibilities.

THE SILVER SHARES

The silver mining industry is poorly represented on the New York Stock Exchange by two companies whose records have been unprofitable and discouraging.

Ontario Silver paid a dividend of $1 in 1918, and 50c in 1919, passing its dividend in April, 1919. During the past seven years the earnings have averaged 38c a share, during the five years ended with 1919 the earnings have averaged 52c a share, and during 1919 the company operated at a deficit, the dividend for this year being paid out of the earnings for the previous year. The shares are highly speculative and unattractive at present quotations. (Present price, 4¾.)

Batopilas represents a Mexican property that has been shut down since 1914, since which time it has issued no balance sheet or other information of value. The company has an unfortunate history and hardly deserves much consideration under present conditions. (Present price, ⅞.)

THE LEAD SHARES

The lead industry is represented on the New York Stock Exchange by three corporations, two of which are among the most substantial in the entire list under review. Both of these companies, namely, the National Lead Co. and the St. Joseph Lead Co. are dividend payers with long and successful records. Their shares may be regarded in the light of investment securities whose speculative possibilities are practically entirely dependent upon the course of the lead market.

National Lead is a manufacturing company rather than a mining company, because it actually mines only about 10 to 15% of the lead which it consumes in its manufacturing activities. The company's activities are carefully reviewed in another article in these columns. It is in a very strong financial position, having a working capital equivalent to $128.28 a share, and during the past five years it has plowed-in undistributed earnings to the amount of $31.60 a share. Its average earnings per share have been $7.42 for the 10 years ended with 1919, $11 during the five years ended with 1919, and over $14 during the year 1919. The dividend on its common stock was increased from $3 in 1915 to $6 in 1920, the present rate, which gives a yield of a little more than 8½% on the present market price. This is a good investment stock, but in view of its rather sluggish and narrow market movements, it offers little inducement from a speculative viewpoint. Those who have the stock should hold it, with the assurance of regular income, and the likelihood of a moderate advance in market price when the lead industry improves. (Present price, 71¾.)—vol. 26, p. 558.

St. Joseph Lead is the largest individual producer of lead in the United States. Its average annual production of pig lead during the 3 years ended with 1918, was 177,000,000 lb. which fell off to 159,240,000 lb. during 1918. The company has a working capital of a little over $3.40 a share and during the past five years has plowed-in undistributed earnings amounting to about $4.20 a share. During the 5 years ended with 1919 the company's earnings have averaged $2.36 a share, but fell off to about 75c a share during 1919. The company has paid substantial dividends during the past 5 years, and in 1920 paid a stock dividend of 10%. The present dividend rate is $1 a share, equivalent to a yield of about 8½% on the current market price. The stock is rather closely held, and there is little disposition to bring artificial influence to bear on the market price of the shares. The shares are a good investment, but are not attractive for speculation. (Present price, 11¾.)—vol. 26, p. 560.

Federal Mining & Smelting is represented by 120,000 preferred shares and 60,000 common shares. The last dividend on the common stock was paid on Jan. 15, 1909, and amounted to 1½%. During the 5 years ended with 1916 the average earnings per share of common stock amounted to about $1.50 and since that year the company has not reported its earnings. The company's production has fallen off during the past few years, the estimate for 1919 being about 40,000,000 lb. lead, 5,630,000 lb. zinc, and 738,000 ounces silver. From 1903 to 1911 the company paid a dividend of 7% on its preferred stock. This was reduced to 6% in 1912-13, to 5% in 1914, 4% in 1915, raised to 4¼% in 1916, 5¼% in 1917, 7% in 1918, reduced to 6% in 1919, and again raised to 7% in 1920. As the preferred stock is in arrears and the company's important producers are nearly worked out, there appears to be little hope for the common stock. (Present price, 8.)—vol. 24, p. 781.

THE ZINC SHARES

The zinc industry is represented on the New York Stock Exchange by four companies, namely, the American Zinc, Lead & Smelting Co., the Butte Copper & Zinc Co., Butte & Superior Mining Co., and Callahan Zinc Lead Co. Callahan Zinc Lead is the only one of these that is paying a dividend at the present time.

American Zinc, Lead & Smelting is in strong financial position, with a working capital equivalent to about $24 a share of common stock. There is a funded debt equivalent to $8.45 a share of common stock, and the issue of preferred stock amounts to 96,560 shares, on which dividends have been paid amounting to 12% in 1916, and 24% in 1917, '18 and '19, the last dividend payment being $1.50 on November 1, 1920. In February, 1921, the preferred dividend was passed. In 1916 a dividend of 50% on the common stock was paid in preferred stock, and the following year a dividend of $2 per share was paid. No common dividends have been paid since. The company operated at a deficit during 1919, and the shares have no attractive features. (Present price, 9.)—vol. 27, p. 693.

Butte Copper & Zinc operated on a very small margin of profit in the past few years, and showed a deficit in 1919. It paid an initial dividend of 50c a share in 1918, and no dividends have been paid since. The property is operated under lease by the Anaconda Copper Mining Co., but it is shut down at the present time, due to the fact that it was operated chiefly for its manganese ore, which cannot be mined at a profit in the absence of substantial demand for ferromanganese. The shares are without present interest. (Present price, 4⅞.)

Butte & Superior was exhaustively reviewed in The Magazine of Wall Street under date of January 22, 1921. There is no material change in the situation since this analysis was made, and the shares will remain unattractive pending the settlement of the company's litigation, and a substantial improvement in the zinc market. (Present price, 13¼.)—vol. 27, p. 408.

Callahan Zinc Lead has paid a dividend each year in the past 5 years with the exception of 1919, when its earnings were equivalent to only $1 per share. Its earnings for the five years ended with 1919 averaged $3.66 per share. Its present dividend rate is $2 a share, equivalent to a yield of over 36% on the present market price. The property is a substantial producer of zinc and lead, with silver as a by-product. During the 3 years ended with 1919, the company produced 74,493,000 lb. of zinc, 15,462,000 lb. of lead, and 263,338 ounces silver, per annum. During the year 1919, the production was 33,192,000 lb. zinc, 9,931,000 lb. lead, and 171,137 ounces silver, showing a substantial falling-off in production, which is reflected in the reduction in dividends during the past few years, from $6

(*Continued on page 794*)

Petroleum

Mexico's Dwindling Oil Resources

How American and Mexican Fields Compare — Can Crude Oil Prices Stay Down?

By **RALPH ARNOLD**

Chairman, Petroleum and Gas Section, American Institute of Mining & Metallurgical Engineers

EDITOR'S NOTE—Some authorities may find Mr. Ralph Arnold unduly pessimistic in the following statement as to the oil situation in Mexico. We have discussed the matter with Mr. Guy Stevens, Executive Director of the Association of Producers of Petroleum in Mexico, whose comment was: "Assuming the facts and figures are correct, and even though it has a pessimistic trend in reference to Mexican oil, yet every one is entitled to his opinion, and I see nothing to object to in the article."

WITHIN the past few months the price of crude oil in the Mid-Continent field has been cut 50%. Similar action has been taken, or probably shortly will be taken, in most of the other fields of this country. This cut is very drastic. Is it justified? Some of the causes advanced for the cut are: that it is in line with the industrial downward readjustment now taking place throughout the country; and that there is an overproduction of oil which can best be slowed down by lowering the price of crude. In part these two reasons are logically advanced, but such underlying causes as the great production in Mexico have not been prominently brought forward nor the fact that it would be advantageous at this time to fill up the empty storage of many of the consuming companies at a low price.

How American and Mexican Fields Compare

In order to properly comprehend the situation let us compare for a moment the production of oil in the United States and that in Mexico: Oil in the United States occurs in numerous widely separated pools, varying in individual area, but each relatively extensive as compared to the area or gathering ground from which it is ultimately derived. It occurs in moderately porous reservoir rocks under such conditions of pressure, mobility and availability as to preclude its withdrawal except over a period of years—varying from one to forty (average, say 15 years, depending on the pool). One well will usually drain a very limited area —2 to 10 acres—so that rate of withdrawal of oil under each owner's property is determined by the owner. **The important point to remember is that no matter how intensive the development, the oil reserves of the United States cannot be materially exhausted for at least twenty years,** and the total available supply (not including shale oil) will probably require 50 to 75 years, or longer, for its withdrawal, the yearly rate of production decreasing slowly from this time on.

Now turn to Mexico. In speaking of the oil fields of Mexico I mean the important proven areas or pools; outside of these there are many areas not only with possibilities, but with strong probabilities, which, on account of inaccessibility or poor prospects, will probably cut little figure in the immediate future. The oil occurs in a few pools; all of the important ones, with one exception, occurring on one long narrow structure. The oil accumulates from vast areas into relatively very small productive areas or pools. It exists in cavernous reservoirs under such conditions of enormous pressure, unrestricted mobility and availability, as to enable its entire withdrawal from any of the important pools within a few months, under the intensive development campaign which has raged and is raging at the present time in the Mexican field. (95,000,000 barrels or 2/3 of the total were taken from Los Naranjos during the past year.) Each well draws from the entire pool, so that the amount of oil each owner recovers depends entirely on the number of holes he has on his property. One owner by intensive development can force all other owners to a similar development and hence quickly exhaust the pool. Such is the history of the pools in the last four years. The important point to remember in direct contrast to conditions in the oil fields of the United States is that the proven oil reserve is absolutely at the mercy of its exploiters and may all be exhausted in a few months, or at most in one or two years at the promised rate of development.

HOW AMERICA'S OIL RESOURCES COMPARE WITH MEXICO'S.

	United States	Mexico
Proven producing area	4,500 sq. miles	25 sq. miles
Production 1920	443,402,000 bbls.	185,000,000 bbls.
No. producing wells	258,000	200
Average daily production per well	4.9 bbls.	2,600 bbls.
Proven oil reserve (writer's estimate)	5 to 6 billion bbls.	300 to 400 million bbls.

The figures contained in the accompanying table show that Mexico with 6/10 per cent of the producing area occupied by 7/1000 per cent the number of wells of the United States produces 4/10 as much oil as the United States. The individual production of the wells averages 530 times greater in Mexico than in the United States. The proven oil reserve of the United States (according to the writer's estimate) is now fifteen times that of Mexico.

Mexico's Immediate Future

Now let us turn to some concrete figures regarding the immediate future of Mexico: There have been twelve proven important pools, namely: Ebano, Panuco, Topila, Dos Bocas, Tepatate, Casiano, Los Naranjos, Chinampa, Zacamixtle, Cerro Azul, Potrero del Llano and Alamo; of these Dos Bocas, Tepatate, Casiano, Chinampa and Potrero del Llano are extinct; Los Naranjos, Panuco and Alamo are rapidly going to salt water; and, with the exception of Panuco, as far as important production is concerned, are, or soon will be, unimportant. Panuco, like Ebano, apparently will continue for many years producing a valuable emulsion of oil and water, which will have an important bearing on the productivity of Mexico. This leaves Zacamixtle, a practically virgin pool, and Cerro Azul, a partly exhausted pool—the latter controlled by a single company—to furnish, with Panuco, the bulk of the future supply. Of the exhausted pools, the greatest only produced a little over a hundred and twenty million barrels. Los Naranjos may produce a total of over 150 million barrels. These oil pools compared favorably in area with the present dependable pools, so that these latter may be assumed to yield no large excess over the maximum so far attained. Estimates of future production are: Zacamixtle, over 125,000,000 barrels; Cerro Azul, 75,000,000 barrels remaining; Alamo, 25,000,000 remaining; Los Naranjos and Panuco, each 50,000,000 remaining. Total 325,000,000 barrels.

Last year Mexico produced 185,000,000 barrels, or an average of about 500,000 barrels per day. Mexico is now produc-

ing at the rate of about 600,000 barrels per day; approximately 2/3 of this is coming from Los Naranjos, a pool which will probably be extinct by early summer on account of the encroachment of salt water. If the present rate is maintained throughout the year, 1921 will see about 200,000,000 barrels of oil brought to the surface in Mexico, or about 1/2 the probable production of the United States. **But Mexico's proven reserve is less than twice this amount, hence at the present rate of production, the latter part of 1922 will see the end to the proven big fields in Mexico.** There is little wildcatting going on in Mexico now, probably not over 25 strictly wild-cat wells now being actively drilled in the main producing district. Whether it is 1½ years or 2 years, or even a little longer or a little less before the break comes, it is certain to come. Last year the United States consumed 431,186,000 barrels or 87,724,000 barrels more than we produced. And even excluding our exported crude and refined products, our consumption exceeded our production by over 13,000 barrels. Can we call this overproduction? When the break in production in Mexico does come, what will be the reaction on the industry in the United States? How are we to meet the insatiable demands which then cannot be met by the domestic fields? Where are the other foreign fields we can draw from? Where will the price for domestic crude go to? Will the storage capacity of the country be empty when this era of great demand comes? Will the so-called independent producers still be independent after a period of bankrupting prices? In view of the probabilities are the present drastic cuts in crude oil prices justified?

Atlantic Gulf Oil Corporation

Atlantic Gulf's Oil Production

Oil Subsidiary of AGWI Steamship Lines Among Most Comfortably Situated in Mexico—News and Gossip of the Petroleum World

By H. L. WOOD

THE outstanding feature of the petroleum industry during the period covered by this review is the apparent stabilizing of the crude oil market, demonstrated by the resumption of 100% pipe line runs and immediate purchase of the oil thus taken in the four Mid-Continent states. Had the major purchasing agencies not been satisfied with the outlook they would not have so quickly stopped the restrictions of runs and purchases. Some enthusiastic "authorities," led astray by this rather sudden change of policy by the market-makers, accept the action as the forerunner of advancing quotations for crude oil and consequently also for refined oils. Such a deduction is rank.

There isn't a thing along the industrial and commercial horizon to suggest such an erratic conclusion. Really the statements are made to strengthen "ribbing up" propaganda. There is no indication, admitting that the petroleum industry is only one of many and all controlled by relatively the same influences, that crude and refined petroleum will advance in posted quotations during 1921. Financial, industrial and commercial analysis leaves no hope for bullish sentiment for some time to come.

With prevailing market prices the oil business is as safe and prosperous as any other industry, and considerably safer and more prosperous than many. This is true in face of the fact that a 50% reduction in the selling price of crude oil was made within thirty days—an extent to which no other industry suffered in so short a time. Perhaps this statement sounds ridiculous to many people who have been pestering Government and the buying public to treat them humanely and hold up prices until they could realize on their high-priced inventories. The ridiculousness will dissipate when the fundamentals of the petroleum industry are clearly understood. Oil is the most liquid (no pun intended) collateral product known to banks whose business is largely based upon it, being a cash reality every two to four weeks whenever needed. The industry thus comes nearer running on its own power than almost any other, and tides ever emergencies like the present with less mud on the keel. Unfortunately, the public's conception of the oil business is too frequently based upon stock promotions and not upon the production and sale of the oil itself; and this conception too often leads to rather grotesque and unfortunate results.

The Government Report

The United States Geological Survey's January report of production, consumption and stocks of crude petroleum is, on the whole, indicative of normal conditions, and leaves no cause for worry about shortage of gasoline or any primary product. There is an abundance of crude oil in the ground, in the refineries and in the stock tanks for every seasonal demand. Notwithstanding the demoralization of pipe line runs and lowered prices, production of 38,271,000 barrels in January was only 690,000 barrels less than in December, and was more than 4,000,000 barrels greater than during January, 1920.

The exquisite theorists tell us this can't be, but it is. As was naturally to be expected, production decreased slightly—but only slightly—in the Mid-Continent fields in Oklahoma, Texas, Kansas and Louisiana, and negligibly in Pennsylvania, Ohio and Montana; in California production equaled consumption, therefore, offset the usual drafts of a half million to a million barrels from stocks and became an actual gain.

The Survey's report shows that deliveries of crude oil to consumers, principally refineries, totaling 49,651,000 barrels in January, exceeded production by 11,380,000 barrels. When read casually that deficit is a disturbing announcement to the July jazzers, but it's harmless—as figures so often are. The deficit is not of domestic crude, but consists of Mexican oil, which goes largely into the furnaces of factories, locomotives and marine fuel. Theoretically, surplus residuum from United States crude oil would be used in all these liquid fuel installations, but actually it has never been able to meet the demand. Because of this not commonly understood, but quite lively industrial fact, the Mexican oil industry has reached its present proportions. If the Government compilation is thus taken apart and the figures rearranged to express themselves truthfully, we have dissipated an embarrassing deficit and established a perfectly normal and adequate supply, and trade equilibrium has reasserted itself. If this explanation is accepted—which it may be safely—business may proceed "as usual," and the prospective owners of automobiles not yet started, cease to worry.

Gasoline Is Cheaper

Reductions in gasoline prices since the last review leave refinery quotations in most New England and all New York, Pennsylvania and Atlantic coast territory at 26 cents a gallon, with 2 cents added at retail. The Standard of New Jersey, Standard of New York, Atlantic Refining, Tide Water, the Texas Co. and the Gulf Refining Co. are agreed on this quotation. A decline of 1 and 1½ cents is noted in quotations for export gasoline and illuminating oil. There is, of course, the usual theoretical worry about what will happen when all the exceedingly prosperous automobilists get in motion—if they ever do—but the state of trade isn't favorable to shortages and high prices this year. Perhaps some of this investment in future worries springs from the difference in petroleum prices east and west—about 10 cents difference. It is confusing, to be sure, but there are so many explanations why it is so that almost any price worry can be accommodated. But the comfortable fact remains that there is gasoline enough for all, and it might go a little lower.

Heavy Damages

A few years ago the Uncle Sam Oil Co. —a spectacular oil promotion—induced the business council of the Osage Indians to grant it an oil and gas lease on all the unleased acreage of the reservation, or about 436,000 acres. The Secretary of the Interior, before whom comes the approval of all restricted Indian land leases, refused to approve the Uncle Sam lease. The Department of Justice secured the indictment of H. H. Tucker, Jr., president

(Continued on page 796)

Common Sense in Speculation

No. 1—A Study in Momentum—Relationship of Speculation to Business—Rules of Practice of Those Who Succeed—Some First Principles

By **"MODERATO"**

THE writer wishes to have an understanding with the reader before firing the opening gun of a series of articles that is intended to open the works of "operative" Wall Street, and explain its mechanism, part by part.

Speculation is not an exact science, nor is it an art. Broadly, it is the business of buying cheap and selling dear, or the reverse. The writer gives a definition of it, new and novel perhaps, but it is submitted for the approval of his readers. It is: A study of momentum in price movements with the object of predicting the direction, duration, and extent of the next movement, and profiting thereby.

Not being an exact science, and all knowledge of speculation being subject to worldwide influences that may change, alter, or reverse findings of any given moment, it is surrounded with extraordinary difficulties as to continued accuracy.

Any exponent of speculation knows in advance that he is the object of scepticism, wonder, curiosity, or even ridicule. Why should he write about speculation for a relatively small reward when he ought to be making millions in Wall Street?

Oft-repeated query, true on the surface, but highly superficial.

The really ardent student, the laboratory man, the inventor, the discoverer, the pioneer—there are seldom the people to whom come the large rewards. Most of them have neither the nerve, nor stomach, nor inclinations, to practise as they preach. Often, they lack patience. They are over-fearful of the dangers that surround them through their more intimate knowledge of the effects of unforeseen reversals of form.

The latter statement needs little proof. The novice almost always starts out by buying something. He never sells for a start. Bull markets attract the novice, and the beginner is always a bull. Consequently his first and early ventures nearly always show a profit. At the end of the cycle, most of the new bulls lose out, with a substantial deficit. He ran hard in the wrong direction—even where the angels feared to tread, his ignorance carried him on, where the expert would have cashed in and stayed out.

Many readers know this experience. It may help to correct the impression that serious students of the market ought to be making millions in Wall Street instead of writing about "how to do it," which is in line with the paradox of a dentist with a toothache, or a doctor with spinal meningitis. The two latter ought certainly to know enough to avoid getting the toothache and the other ills that flesh is heir to.

The Value of Sweat and Blood

The writer asked a rather young dramatist whose income rose from zero to seven figures annually in ten years, how he did it? The reply was characteristic: "Sweat and blood!" In other words, study, work, perseverance, and patience. On the latter feature, patience, plus patience, plus still more patience, has often been quoted as the single formula for successful speculation. While this may be true in some respects, it will require modification, as we shall show hereafter. For the present, we may say that patience wrongly applied can be as much of a vice as a virtue.

It does not pay to have patience with a dumbell or a dead horse. You have got to travel light in Wall Street, stripped to the waist, and ready to run like—a Marathon runner—in any direction. Seven league boots, and millions fly around at the right time, and we will try to learn how to avoid the toe of the boot, and yet attract the tip of the millions, by common sense rather than mystery, tips, or any "inside information" that sometimes turn the recipient inside out if he swallows enough of it.

THIS is the first article of a new series on speculation and specvestment. It is difficult to draw a dividing line where investment begins and speculation ends. These articles should prove of great help and money value to the large number of our readers who devote a certain portion of their funds to trading, speculation, and similar operations in the market. The slogan of our stories, "Will this make money for our readers?" will be closely adhered to in these discussions, and from what we know of their contents in advance, believe that even the simon-pure investor has a good deal to gain by familiarizing himself with the broad principles and practice of specvestment. Such knowledge should take him out of the "sleeping investor" class as we will prove later on. Comments, criticisms, and suggestions for future articles will be welcomed.

Speculation is a business, and business means work—at least in the early stages. If there is a secret of success,—big success I mean—it will be found somewhere within or around the literal meaning of "sweat and blood."

Did Keene, Harriman, Vanderbilt, Gould, Rockefeller, or Rogers work so hard? They did. Here is something to think about regarding James R. Keene: *His business of speculation* consisted of a merger of his body, brains, and energies with the ticker in his office. The tape passing through his fingers was only comparable with the current passing through a live electric wire—Keene, the ticker, and the tape forming a complete circuit. There was room for nothing else in his business of speculation.

Can we wonder at his spectacular successes and reverses? Did the laborer shoveling aside the earth for the subways work any harder, or feel more tired at the end of the day than Jim Keene?

Compare this with a more modern picture of the trader, who passes like the ship in the night, that is such a familiar figure in the Wall Street of today. We refer to the ordinary type found in any broker's office any day from about 11 a. m. to 3 p. m. (this genus is not particular about the "opening"). His day consists of casual observation of the board on which quotations are chalked, short walks from his chair to the community and from thence to the order clerk (sometimes). The interludes are filled up with exchanges of opinions, light gossip on the crops, the money market, corporation reports, criticism of the weather, managements, the money powers, the terrible shorts, and swapping of experiences. Light reading of brokers' letters, the news slips, lunch, and a final argument with the order clerk or margin man rounds out the strenuous day of a goodly percentage of those who hope to participate in the Big Game and come out better than even.

While this picture is only a cross-section of a very minor phase of speculation, it also represents somewhat the mental makeup of the longer distance amateur in speculation, who might work with different tools or equipment. In the aggregate, the volume of buying or selling by this semi-professional or amateur contingent is a sizable percentage of the total volume at times, and we will deal with this influence later. The point for the reader is, that the would-be speculator or trader who cannot give the necessary attention and concentration to the subject had better spare his energy and money because disaster awaits the trifler at every corner. Such a person, can hope to be successful by shrewd saving and investing wisely, and the latter field is extensive and profitable. Investing will not yield a fortune excepting over a long period of time. Successful speculation can certainly bring wealth in shorter order, but demands special efforts.

The middle course is making a stronger appeal each year as the scope of the stock exchanges is broadening. The dividing line is *specvestment*, and the term was specially created by this magazine to fill the gap between investment and speculation. We will deal with the difference in good time.

The Business of Speculation

Although speculation is a business, it does not follow that he who would derive some of its rewards and advantages must devote his whole time and attention to it. Conscientious study for a period of time, intelligent conservation and application in the right direction, and the same mental attitude towards the market as is adopted towards business, will surely result in the ability to recognize and take advantage of the long trend early enough, and to select

(*Continued on page* 805)

Trade Tendencies

Prospects of Leading Industries as Seen by Our Trade Observer

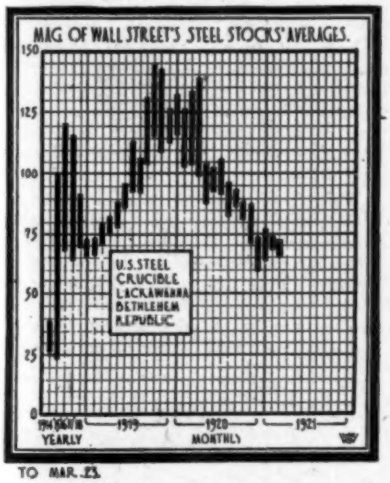
As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these trade tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.

STEEL

Sentiment Slightly Improved

ALTHOUGH there is a better feeling among mill representatives this is based on long-distance considerations rather than the immediate outlook. There is little in the present situation to call forth much exhilaration on the part of the steel interests.

The country's steel mills are working at about a 35% average. The Steel Corporation production is down to about 45% of capacity and independents down to about 20%. During the immediate future it is believed that the big company will show further contraction of output.



TO MAR. 23

In certain lines there has been greater activity of late. This is particularly true of the sheet mills, which are now receiving orders in fair volume from the improved automobile industry. There has also been a revival of interest in merchant bar. While prices here are nominally 2.35 cents, most business is passing at a lower level, with a minimum at about 2 cents. So far as prices are concerned the trend with regard to merchant bars seems downward.

The semi-finished steel market shows a little improvement but open hearth operations are declining notwithstanding. Consumers are unwilling to pay the prices asked and several makers have cut prices again.

Little or no improvement is noted in the pig iron industry. Inquiries are not of an important description and whatever business is now passing is on the small order scale. Concessions are not nearly the order of the day as was the case several months ago. However, an order of really substantial proportions would find producers making concessions of a very attractive nature. In the main, however, prices have not varied much from the bottom level reached several weeks ago. Production is being curtailed further and the statistical position of pig iron continues to get stronger. Offsetting this, however, is the fact that consumption is declining and there have been cases of cancellations of current contracts. In short, the present situation is highly unsettled with regard to this particular market, although the long-distance prospect is more favorable.

While there has been some improvement with regard to certain products such as sheets, bars and structural material, the diversification of the new business is not sufficient to afford a basis for a genuine revival in the immediate future. The fact that U. S. Steel ingot production is now only at 40% and falling rapidly and that the Carnegie Steel Co. has only 25 blast

THE TREND

STEEL—Some improvement in sheets, bars and structural material. General activity still on the decline. U. S. Steel ingot production falling rapidly. Pig iron production continues to drop. Prices unsettled, although independents are commencing to resist further price-cutting. Situation "spotty," with outlook favoring those catering to automobile industry and special consumers. Railroad buying of small proportions.

COPPER—Surplus grows. Exports fall and domestic consumption at lowest. Production cut. Prices somewhat stronger, but larger producers are not forcing the market. The situation is still unfavorable and the immediate outlook is not promising.

COAL—Production at rock-bottom. Exports at minimum. Domestic demand irregular. Prices decline somewhat. Outlook uncertain.

COTTON—Shows greater strength due to technical considerations. Rallies are being used to sell Southern-held cotton. World-wide conditions unfavorable and excessive stocks do not look encouraging as to prices. Long-range outlook more favorable.

WHEAT—Makes new low. Large crop a bearish influence and liquidation on a broad scale is evident. Corn holds up better, but the trend here is down also.

CHEMICALS—Markets depressed and prices show a downward trend. Heavy chemicals weakest and fertilizers show influence of the poor situation in the South.

MOTORS—Decided improvement in the case of medium-priced car makers. Producers of cheaper cars are not doing well. While the immediate trend is up, there is a question whether this can be maintained past the Spring months.

TIRES—Manufacturing on the increase. The industry looks up and seems to have turned the corner.

SUMMARY—Deflation in commodities has not yet been completed; some of them have recently made new lows for a number of years. Manufacturing activity in certain lines shows increase. Retail buying improved on account of the Spring season. Somewhat better tone noted generally, but conditions are still unsettled with regard to the basic industries.

furnaces operating, only one furnace more than was operated at the low point of 1914, gives a better idea as to the actual situation than the fact that the demand for a few products shows some recent improvement.

The key to the situation, of course, is railroad buying. Until the carriers are in a position to buy heavily steel activity will drift at its lowest levels. The railroads are the most important consumers of steel—taking about 35% of total production—and the fact that so many of them are out of the market is a very disturbing force on the steel industry in general.

One of the really encouraging features in the situation is the improvement in structural steel activity. This is still vastly below normal levels but latest indications point to a turn in this market.

MOTORS

Has the Industry Turned the Corner?

MARKED improvement has taken place in the automobile situation. Reports from various manufacturing centers indicate that the increase in production which commenced to take place in February not only has continued but is expected to expand further.

Since the New York and Chicago automobile shows, demand for automobiles has increased. Many makers have been enabled to clear out part or all of their cars on hand and have thus been put in a position to increase production in order to meet the current demand. The general tendency, however, is to produce only on orders received or impending, plus a small margin. Last year, automobile manufacturers made as many cars as they could without regard to actual orders received. The situation at that time, of course, was different, as there seemed to be no limit to the demand. The present policy of conservatism is a natural result of the recent depression in the industry.

The attached table gives a good idea as to the extent of improvement in the case of some of the leading manufacturers. Quite a number of makers are working on a 50% capacity or better which compares with an average of 20% several months ago. There are, however, some important concerns that have either been unable to resume operations or that are still working at less than 25% capacity. Among these are the cheaper makers such as Dodge, Willys-Overland and Maxwell. The greatest increase has been in the case of medium-priced cars like Studebaker, Buick and Reo.

AUTOMOBILE PRODUCTION

	Jan. 1	March 25
Studebaker	40%	65%
Paige-Detroit	50%	75%
Packard	25%	50%
Reo	50%	75%
Ford	15%	60%
Dodge	..	20%
Hupp	20%	60%
Buick	35%	75%
Oldsmobile	35%	60%
Chevrolet	20%	50%
Cadillac	20%	50%

NOTE: These figures, while based on latest reports, are unofficial and indicate only approximate conditions in the respective plants.

There is some conflict of opinion with regard to the outlook for the balance of the year. Some manufacturers look forward to an early resumption of peak production while others believe that it will take another year before the industry reaches such a rate. On the whole, it appears that the latter view is the more reasonable. There are still large sections of the country, normally important buyers of automobiles, whose earning power has been diminished and which are consequently not in as good a position as formerly to buy new machines. Further, the general business situation is not conducive toward resumption of automobile buying on last year's scale. Probably the best that can be expected is slow and gradual improvement. Yet even this is not certain.

There are several features of the present situation which may later result not in a gradual improvement in the industry but in the opposite. Close analysis of the present move in the automobile industry indicates that the improvement is due more to seasonal considerations than to actual improvement in the business situation. This is normally the time of the year when most people buy cars and it is barely possible that by the end of April the peak of the buying will have been seen. This will ultimately depend, of course, on whether business conditions have fundamentally improved by that time, but if they have not or if the general business readjustment gives signs of being further postponed it is more than likely that the present buying move will simmer down.

This is possibly an ultra-conservative view but is warranted by the general economic situation. That there has been considerable improvement in the automobile industry is certain. That this improvement, however, can be continued past the Spring months, on the present basis of business conditions, is not so certain.

COAL

Prices Still Unsettled

CONDITIONS in the coal market have not changed materially in the past few weeks. In certain special instances, prices have firmed somewhat but the general tone of the market remains weak. One of the newer features of the situation is that producers and wholesalers are beginning to take a firmer attitude with regard to future contracts. There is also an encouraging development in that important selling interests are not paying as much attention as formerly to the small demand.

There has recently been a slight increase in production but the output is still comparatively small owing to the apathetic character of the spot market. It is doubtful, however, that the present rate of production will be curtailed much as it is now down to about rock-bottom levels.

The matter of contracts is still in abeyance. Large buyers are not particularly anxious to load up on contracts with general industrial conditions as unsettled as they still are. They are still well sup-

plied and on the present basis can keep going for several months without having recourse to the coal markets. However, purchases are not to be postponed indefinitely and it is already noted that inquiries for contract prices have been coming in more frequently of late. Probably buying activity will increase within several months at the latest.

While there is reason to believe that there will be some improvement within a few months, present conditions are very unsatisfactory. Demand is down to a low point, prices are weak and unsettled, and costs of production are still high. In this connection, it is reported that wage adjustments are possible in the near future. However, labor is strategically in a strong position in this industry and it is to be doubted that wages can be reduced considerably without first meeting strenuous opposition on the part of the labor interests. In the meantime, of course, operators are struggling under the handicap of high operating expenses and few of them are making money with demand for their products at a minimum and prices down some 60% since the high of last year.

The export market is practically nonexistent. Exports of coal abroad are of farcical dimensions. Present indications do not point to an early resumption of our coal trade with foreign countries, except in the case of South America.

The immediate prospects for the coal industry are not exhilarating. That much is apparent. There should be a turn for the better, however, by the end of June at the latest. By that time stocks on hand will be down to a point where many consumers will be compelled to re-enter the market. Fossibly good business judgment would indicate that this is a good time in which to replenish stocks while conditions are still favorable to the buyer.

COTTON

Fundamental Conditions Unfavorable

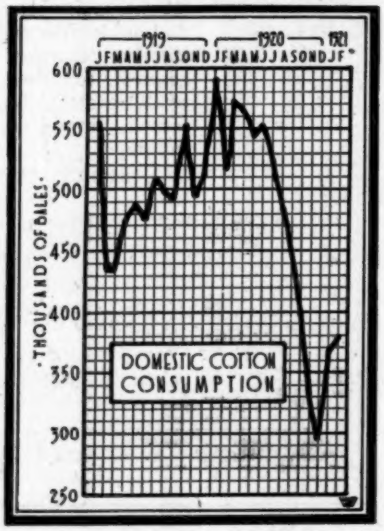
COTTON prices have stabilized themselves at about their lowest levels and the prospect for an early change in favor of better prices seems remote. It would be easy to pick out a number of factors which are depressing the commodity. Chief among these are world conditions, excessive supplies and domestic impoverishment of demand. Almost any one of these factors alone would contribute toward lowering prices but the combination of the three is irresistible.

International conditions, at present, are of such a nature as to act as a deterrent force in buying. It is evident that with regard to such commodities as cotton, the purchasing power of the world has been seriously reduced. The great textile establishments of Europe are running at reduced capacity and this has naturally reacted on our own exports of the raw commodity.

The situation is well illustrated in the instance of England's cotton mills. These, of course, are the biggest foreign buyers of our cotton. A considerable part of their output goes to the Orient and normally the demand from the Far East indirectly increases the demand for our raw cotton.

Conditions in the Orient today are unsettled, however, and there has been a large decrease in the demand for manufactured goods from English mills. Consequently these sources have cut down their orders to us. This shows how international trade conditions affect our cotton markets.

Obviously, potential improvement in the industry depends largely on world-wide economic progress. This does not appear to be in early prospect. Nevertheless there are signs that in a general way the situation has already been seen at its worst and while it will undoubtedly be many months before activity is on a satisfactory basis, conditions should gradually show improvement. The long-range outlook for cotton,



therefore, on this basis cannot be said to be unfavorable.

While domestic consumption has improved since December owing to the more favorable developments in the textile industry, it is still considerably below the monthly average for the past few years. The rate of progress is cumulative but it is hardly on a scale to give promise of making extraordinary depletion of available stocks of the raw material possible within the next few months.

The most unfavorable feature of the situation is the excessive supply. Assuming that conditions both world-wide and domestic improve sufficiently in the course of the next few months to absorb considerable more cotton than in the recent past, it will nevertheless not prevent a very large carry-over into the next crop. This will be at least 2,000,000 bales on top of the new crop.

The future size of the next crop therefore takes on great importance, as relating to the future course of prices. There has been a great deal of talk on the probability of curtailment of acreage. This may be regarded as almost inevitable. Practically every similar period in the history of cotton shows a cut in acreage following a period of depression. It has been claimed by some that the crop will be cut 25-50%. This is extravagant. In the past, no cotton crop has been reduced by more than 13%. Of course, climatic conditions and ravages due to insects may make a difference but in any case a cut of more than 15-20% is unlikely. It must not be forgotten that in regard to this, sentiment and human nature play a big part and the attitude of the average grower is to "let the other fellow do it." At the best therefore a moderate cut should be anticipated.

Yet even such a cut, when visible, should have a strengthening effect on prices. A cut in production, simultaneous with an improving demand, would have of course been an ideal combination. Considering that world conditions are beginning to show a tendency to improve and assuming, as is probable, that acreage will be reduced, there is good reason to believe that prices will eventually be higher. Investment should be profitable at this low point in cotton prices. In the meantime, however, the chances are that the market will fluctuate at about these lower levels.

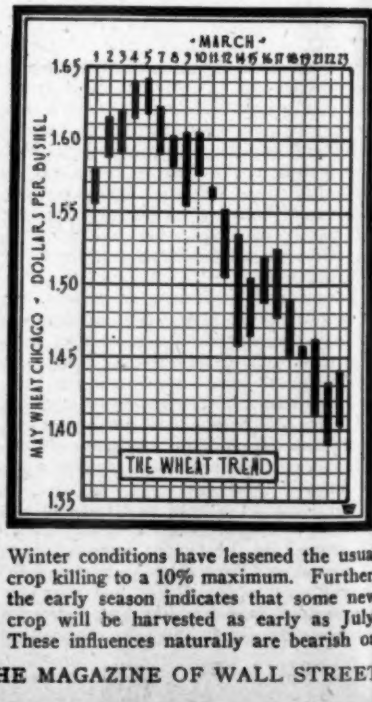
WHEAT

Resumes Downward Trend

NOTWITHSTANDING fairly good export business, wheat prices have been on the downward trend since the beginning of March (See graph). Prices have declined not only to the lowest of the season but to the lowest since August, 1916. The general features of the market are heavy selling by leading Western cash interests, short-selling on the part of a confident professional fraternity and the uncovering of stop-loss orders. This has all the earmarks of a broad liquidating market.

Buying on the part of some Continental countries is of good proportions but this is offset by the unfavorable statistical position of wheat, the generally unsettled state of affairs abroad and our own business situation.

Probably the most important influence in the wheat market is the exceptionally fine crop outlook. It is now evident that the carry-over from the old crop will take care of demand, barring some unlooked for catastrophe. Reports indicate that open



Winter conditions have lessened the usual crop killing to a 10% maximum. Further, the early season indicates that some new crop will be harvested as early as July. These influences naturally are bearish on

prices and regarded in this light the recent slump is quite understandable.

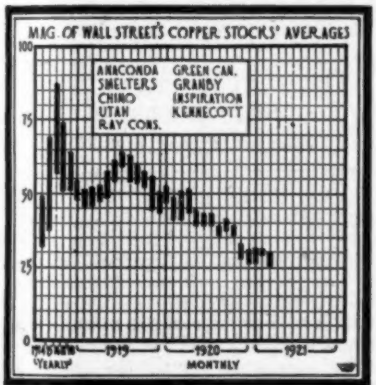
Added to these factors is the growing feeling of anxiety over the industrial situation and the outlook for foreign affairs. All told, the wheat market is laboring under adverse influences too strong to be ignored in the market. On the other hand, the technical position has been greatly strengthened by the recent selling and a sharp rally would not be surprising. Nevertheless, barring calamities and unlooked for destruction of crops due to climatic conditions and ravages of insects, the trend in the wheat market still looks down.

Corn has resisted the downward pressure better than wheat. This is due to the fact that corn up to the past two or three weeks had a bigger decline than wheat. The two commodities are gradually approaching a point to sell more in line with each other. This was foreseen. The general tendency in this market still appears downward but it is improbable that such a decline will take on large proportions as corn is selling at extremely low figures.

COPPER

Metal Markets Dull

COPPER clearly shows the effect of its unfavorable statistical position. Notwithstanding that production has been



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severely curtailed, the rate of decline in output is not sufficient to counteract the influence of the rate of decline in demand. Consequently the surplus is steadily increasing. It is estimated that stocks in the hands of producers are being added to at the rate of 30,000,000-40,000,000 pounds monthly.

Domestic demand gives no promise of early improvement. The general industrial situation while slightly improved is not favorable toward increased consumption of the red metal. The market reflects this condition clearly. While copper can no longer be had below 12 cents this is not particularly significant as the metal which came out at this price was sold by small dealers who were hard pressed for cash. The larger interests are still adhering to their policy of keeping out of the market until conditions are better. The average price of copper for immediate delivery is 12¾ cents, this being the offering of smaller dealers.

Output is being steadily curtailed. Recently one important company announced

the complete suspension of production. It is believed that unless conditions change soon a number of other companies will follow.

Exports are not holding up well, on account of the unfavorable turn of European affairs. However, these are generally volatile and an early clearing of the skies would not be an astonishing development. Nowadays, it is hard to say as to the probable course of events in Europe. There is no question however that a real settlement of European difficulties would help our copper industry considerably as Europe is normally a large consumer of our metal.

The lead market shows little change. There is little buying but sellers show no disposition to force the market. The immediate outlook is not encouraging.

Zinc is neglected. Prices are nominal and buying is conspicuous by its absence. The tin market is in about the same shape. There has been no recent improvement here and business, such as it is, is practically confined to trading between dealers. The statistical position of tin is rather favorable, however, and resumption of demand would force prices up, as was the case a few weeks ago.

CHEMICALS

Depression Continues

THE unfavorable condition of many manufacturing industries and the growth of unemployment have seriously affected the demand for many chemical products. While in certain instances domestic consumption has been fair, exports have fallen off markedly; particularly heavy chemicals and fertilizers.

The fertilizer industry almost certainly faces a poor year. There is an almost total lack of demand from several cotton-producing states. According to estimates of the Department of Agriculture sales of fertilizer throughout the country will be 50% less this year than for the year previous.

The market for crude drugs shows little improvement. Buying is only of small proportions and consumers are evincing little interest. There is little which might be construed of a bullish nature in the immediate outlook for this industry. Manufactured drugs are weak and some striking price cuts have been made.

Industrial chemicals and acids show the greatest weakness. This is due to the fact that many industries, normally large consumers of these products have either shut down or curtailed operations drastically. Industrial acids have declined to nearly their pre-war levels but industrial chemicals have some distance to go yet before they sell on a line with the old prices.

The situation in dyestuffs is somewhat better. There is little business going on but prices are not being reduced much—this in spite of the fact that as a group the intermediaries are selling higher than any other in the general chemical industry. However, it is not hard to see that resistance to the downward course in these products cannot be continued indefinitely.

While the chemical industry as a whole is in the doldrums, it is interesting to observe that the best business is being conducted in those items which show the greatest decline in the past few months. Thus essential oils which have declined 41% in the past six months are doing better than crude drugs which have shown a decline of only 25%.

GROUP OPERATION BASIS OF STANDARD GAS' PROGRESS

(Continued from page 779)

large amount toward additional earnings and reserves for the parent company.

Conclusion

The various bonds and notes of the Standard Gas & Electric Co. make attractive investments and give high yields. The 8% cumulative preferred, par value $50, has had all its dividends paid in full, part of which, however, was made in common stock of the company. This preferred makes a good spec-vestment, and at the bid price of 34¼ yields over 11½%. The common is still in the speculative class, besides being relatively inactive.

It will be seen that all of the operating conditions underlying this concern are fundamental, and that its steady progress and development is not only assured, but is inevitable. The company simply must go forward in order to keep abreast of its territory and the demands made upon it. —vol. 24, p. 1026.

LEGISLATION THAT WILL HELP BUSINESS

(Continued from page 740)

yield an annual product of more than eight billion five hundred millions of dollars. Schools are maintained at an annual expense of six hundred and fifty million dollars with an attendance of more than twenty million children. The total wealth of the country, which is in an advanced state of profitable cultivation, is two hundred and twenty-five billions of dollars.

Whatever may be our present economic embarrassment, consideration of such facts as these must afford to any reasonable person confidence that we will not be subjected to financial or economic disaster which can permanently affect our prosperity or threaten our political institutions.

THE HERRICK & BENNETT FAILURE

General creditors of Herrick & Bennett, whose failure was announced from the rostrum of the New York Stock Exchange on Feb. 21, will receive approximately 60c. on the dollar, according to the attorney for the receiver.

A complete statement of the firm's assets and liabilities will not be ready for several days, but a general estimate places the indebtedness around $500,000. In order to aid the receiver in meeting the obligations of the creditors members of the firm have agreed to raise personally between $45,000 and $50,000 among themselves and friends. In addition they will turn over their personal assets for the benefit of creditors.

ANSWERS TO INQUIRIES
(*Continued from page* 771)

above all dividend payments and during 1919, after the payment of 7% on the first preferred, 5% on the second preferred and 7% on the common, there was carried to surplus account $32,300. Both classes of preferred stock have substantial equities and safety, while the common stock possesses a fair equity. The 6% bonds should be held by all means. They are a good investment and sell around 87.

CANADIAN PACIFIC
Dividend Not in Danger

During the past two years the earnings of this company have been sufficient to meet the dividend payments on the common stock, though the margin of safety has not been large. For the year ending Dec. 31, 1920, the company earned, after payment of taxes and charges, $32,844,083, which after the payment of dividends on the preferred issue was equal to $11.39 a share on the $260,000,000 common stock outstanding as compared with $10.80 a share earned on the common during 1919. Of the total earnings 1920 available for the common stock special income provided for $4.22 a share, while $7.17 came from railway lines and lake steamers. There was added to surplus account $3,616,806.

Canadian railroads are under the same influences that prevail in the United States so far as high cost of labor and materials is concerned, and when wages come down, this road ought to make a much better showing eventually. Canadian Pacific is very much undercapitalized and its equities are relatively better in proportion to cost price than a good many other railroads of similar high standing. Canadian Pacific if held for investment is an attractive issue to hold for a longer pull, because we believe that depressed conditions will be remedied in course of time, and even though the stock might sell somewhat lower, we do not believe that the dividend is likely to be interfered with, consequently your income will remain the same, regardless of market fluctuations. If the stock should decline substantially lower, we would consider Canadian Pacific an investment bargain.

COLORADO & SOUTHERN
Improvement Likely

On December 31, 1919, this company operated under direct control 1,810 miles of road chiefly in Wyoming, Colorado, New Mexico and Texas. Relatively speaking the company continues to make a remarkable display of earnings and during the past year after payment of all interest charges and dividends on both classes of the preferred a substantial amount was left for the common stock. It must be expected, however, that during the current depression and slump in the volume of traffic, which is reflected in the recent earnings of all the railroads, Colorado and Southern will probably show some loss in its revenue from that recently recorded. With a change for the better in the general situation, however, the prospects for this system are sufficiently good to warrant the opinion that the common issue will enjoy enhancement in value.

This road is controlled by the Chicago, Burlington and Quincy R. R. and in view of the necessity for the Great Northern and Northern Pacific to do some extensive financing in July, 1921, we do not expect any great advance in the four stocks that make up this big combined system. As our readers are aware, the Burlington is also controlled by Great Northern and Northern Pacific. We consider the common stock a very good speculation and Colorado & Southern 1st preferred an attractive speculative investment for a long pull.

PATHÉ FRERES PHONOGRAPH
Conserving Resources

The company was incorporated in Delaware in 1912 and manufactures phonographs and records. It has a modern plant located in Brooklyn. During the last few years the company enjoyed a fair degree of prosperity and in the last fiscal year income amounted to $791,826 compared with $129,008. After making other deductions amounting to $95,110 there was left a surplus of $696,716 applicable to the payment of dividends on the preferred and common shares of the company. The dividend requirements on the 8% cumulative debenture preferred stock and the 7% cumulative preferred amount to $158,190, leaving a surplus of $538,526 for the common shares. The company's statement of earnings for 1920 has not yet been published, but undoubtedly like other concerns of this kind, its annual report will show that it has been necessary to make heavy allowances from earnings to care for large inventories. In view of the depression, directors have pursued a wise policy in not making any payments on the common stock and by such action they have conserved their resources. The 8% cumulative debenture preferred stock has a large equity and fair salability, while the equity for the 7% cumulative preferred and common stock is fair. When these companies have passed through the readjustment period, they should enjoy a good degree of prosperity.

IMPERIAL CHINESE GOVERNMENT 5s, 1951
Not "Gilt-Edge" But Attractive

Beginning June 15, 1922 an amount sufficient to retire the entire issue by maturity shall be applied annually to the redemption of these bonds at par. The Chinese Government has the right to increase the annual amounts for redemption: any bonds so redeemed in advance are to be redeemed up to and including June 15, 1928, at 102½ and interest; thereafter at par and interest. These bonds are a direct obligation of the Chinese Government and are secured by a first charge upon £693,333 of the provincial revenues. The net revenues of the railways constructed with the proceeds of this issue are to be applied each year to the services of this loan and any surplus up to the amount required to pay the following year's installments of interest is to be set aside and the Imperial Chinese Government covenants that the railways shall not be mortgaged nor their receipts given as security to any other party so long as this loan is unredeemed. These bonds are listed on the New York and London Stock Exchanges and in all dealings on the New York Exchange $5 is considered the equivalent of £1. The principal and interest of this issue is payable at the current rate of exchange. Owing to the peculiar Chinese political situation, these bonds have only a speculative rating.

These bonds are authorized to the extent of £10,000,000, of which there is at present outstanding £6,000,000.

The quotation of around 40 represents a quotation on the larger pieces of £200 each. If sterling should go back to par, this would mean $4.87 per one pound, making a total par value of 200 times this amount, or $954. This difference in par value per $1,000, together with the state of foreign exchange, along with the difficulty of the average investment mind to accustom itself to things so far distant is also a factor that holds down the price of these bonds. While we do not regard them as gilt-edge, they seem very attractive at these levels.

THIRD AVENUE RAILWAY COMPANY
Should Be Held

Incorporated under the laws of New York in April, 1910, succeeding to the property and franchises of the Third Avenue Railroad Company. The system of this company consists of about 367 miles of road in and about Greater New York. Since 1916 the company has reported a deficit each year in operations. During the year 1919 the company's net income after payment of interest, rent, reserve for sinking fund, etc., amounted to $460,000, and after paying interest on the Adjustment 5s, a deficit of $665,000 was shown. Unless the company can get some relief in the shape of a higher fare, it is hard to see how the earnings of the company can be much, if any, in excess of the fixed charges. Under existing conditions, it is possible that a further reduction in the deficit will be shown during the year 1920, but it is questionable whether or not economies can be practiced to such an extent as to bring the net earning figure to a level that will care for interest charges. The company has outstanding $16,590,000 capital stock, which has a moderate equity.

The bill just passed at Albany may give the Interborough a higher fare in which event the way is paved for companies like Third Avenue, Brooklyn Rapid Transit, etc., to obtain like concessions. In any event, what we have said about the public utilities (see North American) holds good with regard to Third Avenue, and, on the whole, we should prefer to hold securities of this character during the next two or three months to see what the present agitation can develop. Most of these stocks are selling upon a receivership basis already and it might not be wise to sacrifice holdings at this moment.

NORTH AMERICAN COMPANY
Has Succeeded in Period of Stress

This company was incorporated in New Jersey in June, 1890, and is a successor to the Oregon and Transcontinental Company. The company's capital stock consists of an authorized issue of $30,000,000; par $100. The company has a long dividend record and since April 1, 1909, dividends at the rate of 1¼% quarterly have been paid. The average income available during the last five years, after deducting all fixed and other charges, has been $1,984,000, while the dividend requirements

have amounted to $1,489,000. The stock has a large equity and a good market prevails for it. It is listed on the New York and St. Louis Stock Exchanges.

The public utility shares of better grades, such as North American, Montana Power, Consolidated Gas, American Telephone and others have shown a very good tone for the past few months and yield during declines far less than the average market. Either internal conditions are improving or the stocks are held in strong hands, and as a result, when the entire market improves, we have little doubt that the best of the public utilities ought to sell substantially higher. We do not expect to see any great interference with dividends in stocks of this character during the next year or two. They have been through the worst depression in their history and most of the public utilities that have been able to maintain dividends up to now should be able to go through the next cycle with fair assurance.

BRAZIL

(*Continued from page 744*)

shoe industry of Sao Paulo, in co-operation of late with the tanneries of Rio Grande do Sul, has killed the competition of stocks imported from abroad. The value of the production of tanneries is over 100,000 contos yearly. Brazil produces the best goat skins in the world, the superiority of which for the manufacture of kid-leather is world-known. Factories, with large capitals and employing large numbers of laborers, have been established to manufacture practically all of the necessities of domestic life.

Brazil will soon become a self-sustaining nation.

There are at present more than 4,000 big industrial establishments with an aggregate capital of more than $250,000,000 and a yearly production of $300,000,000.

The country exports 80% of the world's coffee production. Its crop is estimated at an average of 12,500,000 sacks of 60 kilos pack.

The exportation of rubber (Fine Pará—Manicoba—Mangabeira) has averaged 30,000 tons yearly. This rubber is of the best quality in the world, but on account of its primitive cultivation in the States of the Amazon River, is gathered just as nature grows it, without any systematic preparation of the ground, and hence when taken to the market is seriously handicapped by that from the British colonies.

The cotton crop is 90,000 tons yearly, gathered in the North and in the South. Both are of the best possible grade, but only that of the latter is exported, on account of its refined preparation.

Fifty-seven thousand tons of leather are exported yearly.

The exportation of sugar has declined in the last three years from 138,000 to 70,000 tons, because of the increase in internal consumption.

The exportation of cocoa, half of it to the United States, is 62,000 tons yearly.

The exportation of tobacco has increased from 25,300 to 42,600 tons and that of mate from 65,000 to 90,200 tons.

The Rio de Janeiro branch of the "National City Bank of New York" gave figures contained in the accompanying table (Table II) showing the exports of Brazil for the first ten months of 1913, 1919 and 1920.

The forest area of Brazil has been estimated at 1,500,000 square miles. The lumber industry, still in its infancy, is making considerable progress and during 1919 wood to the value of about $3,500,000 was exported.

Another incipient industry is the mining of coal. Several mines are being operated in the States of Rio Grande do Sul, and Paraná and they are already giving a yearly production of 300,000 tons. With increased effort, it would be possible to extract about one million tons, or one third of the country's consumption of the Brazilian industries and commercial life. The reserves are estimated at 800 million tons, in the States mentioned.

Before this coal can be fully developed it has to be chemically washed by modern process, on account of the large percentage of ash and other impurities. The coal of several of the mines is very rich in oil and other mineral substances, as several analyses have lately shown. Capital alone is needed to permit large scale development of these coal resources.

Other remarkable opportunities lie in the exploitation of iron ore. It is well known that Brazil has the largest deposits of iron in the world. No less than six billion tons of iron are available for commercial development. In the State of Minas Geraes are regions in which are to be found the biggest deposits, the percentage of metal existing at an average of 70%. For the exploitation of the mines, abundant water power is available in the neighboring zone.

The policy of the Federal Government and of some of the States toward foreign business men has always been one of welcome and protection. Concessions and facilities are extended under legislative authority for the large scale exploitation of the iron industry. Recently the Itabira Iron Ore Co., an American concern, made a contract already approved by the Federal Government along this line.

The generous attitude of the Government authorities and their willingness to co-operate with foreign capital render Brazil's metallurgic industries a source of great opportunity.

How Americans Can Co-operate

It would not be amiss to make here a few remarks regarding the commercial methods pursued in Brazil. Ignorance of one another's methods of doing business has, in the past, caused more than one misunderstanding between Brazilians and Americans.

In this regard I cannot do better than quote the opinion of a Brazilian business man who has studied the subject and has reduced to a few fundamental rules the methods of both parties.

According to his opinion, the Brazilian importer naturally expects, besides the exact fulfillment of the items of a contract, the following:

Payment at 90 or 120 days sight, as usually adopted both by the British and the

German exporters, during the war.

Immediate and direct remittance of invoices, instead of having them accompany the draft.

The American requires:

Safe guarantees that the Brazilian importers will not cancel orders or refuse same and the assurance of the protection of the Brazilian Association of Commerce in this connection.

The payment of interest on delays or prorogation of notes, to enable the American exporters to raise credit at their banks and thus permit them to re-invest their money in other dealings.

America's Trade Endangered

The enormous increase scored thus far in America's trade with Brazil is in danger of being lost for two reasons: One, the extraordinary advance in the American dollar; and, two, by the fact that American exporters are not forestalling European competition by the employment of the trade methods Brazilians have become accustomed to expect. In the pre-war competition for Brazilian trade between Great Britain and Germany long-term credits were spontaneously adopted by both the competing governments. Americans have thus far been unwilling to grant such credits.

Much help should be given to the maintenance of trade relations between America and Brazil, but such help cannot be given through the agency of banks alone. There should be a general understanding between the leading bankers and exporters of the United States in order to finance the Brazilian importer.

This is not a situation peculiar to Brazil. It is a universal situation, in consequence of the depreciation of nearly all the world currency, depreciation that retards consumption, closes neutral markets and stops interchange.

A nation as rich and prosperous as the United States which dictates the law to the world with its dollars, is now, itself, feeling the consequence of refusing credits, in the face of impoverishment and financial straits of other countries. To sell one's products, it is necessary instead of ruining one's customers by permitting the prices of such commodities as coffee, rubber, cotton and sugar to decline and allowing their currency to depreciate through reduction of exports,—to rather make concessions, finance them, and in fact do everything possible to maintain their financial integrity. It is because these things have not been done that purchases have been cancelled. This is why industries have relaxed. It is one of the direct causes of the fact that there are three million out of work in the United States today.

Very happily the bankers of America have already realized what the trouble is and have combined to relieve the foreign markets with a syndicate formed by the American Bankers Association with a capital of $100,000,000 for the purpose of financing credits that would allow Europe and Latin America to settle their commercial deficits and to buy new merchandise in the United States.

This effort, worthy of praise as it is, however, is but a start,—one first step. It is to be hoped that Brazil may profit from this future action, and that by it the United States may gain a firm hold in our markets, giving us its assistance of capital investments, as did the Europeans before the war,—assistance of which we are so much in need and which would stimulate expansion and progress to a friendly Nation.

THE SEVENTEEN NON-COPPER LISTED SHARES

(*Continued from page* 781)

in 1916 to $1.75 in 1918, and none in 1919. A dividend of $2 was paid in 1920, although the earnings were only about 73c a share. Under these conditions it appears that the present dividend is rather insecure, a fact which is reflected in the current price of the stock of about $5.50.

International Nickel's best year was 1917, and since that time its earnings have fallen off rapidly, due to depressed industrial conditions and a poor market for its products. The company was reviewed in the March 19th issue. During the past few years the dividend has been: $7.50 per share, exclusive of a 10% stock dividend, in 1915; $6.25 in 1916; $5.75 in 1917; $4 in 1918; $.50 in 1919; and none subsequently. The shares are unattractive at this time in view of the rather unencouraging outlook.

Vanadium Corp'n's production of vanadium averaged 1,625,646 lb. a year during the 3 years ended with 1918. The production for 1918 alone amounted to 1,230,247 lb. The company paid its initial dividend of $1.50 a share in April, 1920, the total dividends for the year amounting to $4.50. The current dividend rate is $4 a year, equivalent to a yield of about 11½% on the present market price of 34¼ for the shares. In view of the uncertainty of this company's business, we consider the shares unattractive at present.—vol. 27, p. 700.

DeBeers Consolidated Mines represents the diamond industry. The company controls diamond properties in South Africa, which during the 31 years and 2 months ended June 30, 1919, had an average annual production of 2,015,819 carats of diamonds. The production during the year 1919 was 1,092,123 carats of diamonds. The company's capital stock outstanding consists of 800,000 preferred shares, and 1,000,000 common shares, all having a par value of £2-10 s. each. The company's funded debt amounts to £1,-607,395, equivalent to £1-12-2. Of the English shares, 32,000 are represented by 80,000 American shares listed on the basis of 5 American shares for 2 English shares. During 1915-16, owing to war conditions no dividends were declared. Since that time the dividends have been £1 in 1917, £1 in 1918, £2 in 1919, £1 in 1920, the present rate being equivalent to $2.36 on each American share, equivalent to a yield of nearly 13% on the price of about $18.25 per American share.

American holders of DeBeers are under the same disadvantages as those outlined in the case of Rand Mines above. The influences affecting the diamond trade, moreover, are uncertain and the market subject to manipulation. Under the circumstances the shares offer little attraction as a speculation, but have some long-pull qualifications.

ATLANTIC GULF'S OIL PRODUCTION

(*Continued from page 783*)

of the Uncle Sam Oil Co. and ten associates, alleging fraud and bribery in securing the lease. In the trial at Pawhuska the defendants were acquitted.

After due deliberation during the intervening years, President Tucker is suing subsidiaries of the Standard Oil Co., as "the oil trust," to recover, perhaps, the lost oil lease and $1,000,000,000 damages for "continued conspiracy." Francis J. Heney, of California, somewhat noted in "conspiracy" trials against "pernicious monopolists," is attorney for the Uncle Sam Oil Co., the headquarters of which is at Kansas City, Kan.

Tucker organized the Uncle Sam Oil Co. at Cherryvale, Kansas, about eighteen years ago, capitalized for a time at $300,000,000, and by paging the public in daily newspapers has managed to collect something like $7,000,000, and got away with it in spite of two indictments and trials in United States courts. Approximately 26,000 credulous persons are listed as stockholders of the Uncle Sam Oil Co., and most of them are waiting for the first dividend. No other oil promotion of record has been as long-winded as this one.

Mexico's Temperature Normal

No new salt water intrusions have been reported within the fortnight and shipments of oil from Mexico have held steady. More wells are drilling now than at any time during the last four years, and the percentage of added productive territory compares favorably with other countries, within certain lines, it may be added. An encouraging completion is that one by the International Oil Co. of Maine, a subsidiary of the Mexican Seaboard Co., stock in which is owned by the Sinclair Consolidated Oil Corp. and into the lines of which the oil goes. This well is located in Toteco hacienda (county), near the line of Cerro Azul hacienda, between Zacamixtle and the Mexican Petroleum wells at Cerro Azul, and about three miles north of them, and to that extent opens new territory. Starting at about 10,000 barrels, the flush production increased to about 40,000 barrels a day, making an important addition to production. The oil is purchased by the Standard Oil Co.

Anxiety lest the big production in Mexico be curtailed by salt water, forcing the shutting in of wells, leads to the storage of some oil for protection of contract deliveries. The market for Mexican oil has stiffened in the last few days, as no loose oil is in sight for spot buyers and scalpers. For deliveries at tidewater of 19 to 21 gravity oil produced in the Tuxpam or southern district $1.25 a barrel is the market, with $1.30 mentioned. For Panuco or northern district oil of 12 plus gravity up to 16 degrees the market is 62 cents to 65 cents, with an occasional lot at 60 cents, f. o. b. tanker Tampico. Buyers for the large shippers camp on the trail of new wells and let little oil get away from them.

Mexican Government statisticians report that the potential production of the republic is 1,900,000 barrels a day, and that it can be indefinitely increased if needed. It keeps operators busy now to produce 500,000 barrels a day, demonstrating that the Government compilers have slightly exaggerated the taxable value of petroleum. It is possible to increase production in Mexico, estimates about oil production having the faculty of frequently rising and falling at strange variance with the actual; but operators who have had experience in Mexico and looked it over carefully believe that the steady marketing of 500,000 barrels daily will keep all hands fairly busy. Several companies that six months ago had a big production now have so little they are hopelessly distanced in the selling market.

Atlantic Gulf Oil Corporation

When Addison H. Gibson, William H. Zahniser and Mordelo L. Vincent transferred the holdings of their Compania Petrolera de Tepetate, S. A., to the Atlantic Gulf Oil Corporation, organized by them and the Atlantic, Gulf & West Indies Steamship Co. and capitalized at $20,000,000, they retained approximately 45% of the shares, and, being practical oil producers and operators of many years' experience in the United States, superintended the operation of the Mexican properties. Approximately 10,000 acres of leases were held, with something like 4,500 acres in what experienced operators consider the proven area in the Tuxpam district. It was a good undertaking for the steamship company to provide liquid fuel for its seventy vessels, purchased from its Atlantic Gulf oil subsidiary, with the production in practical hands. One well at Chapopote and one at Chiconcillo had been completed when the transfer was made, and on lot 251, Amatlan or Los Naranjos district, three unusually good producers were drilled. From these wells approximately 70,000 barrels daily flows, the full production from the five wells being estimated at about 150,000 barrels a day. Two 10-inch pipe lines were laid from the initial pump station at Los Naranjos to the Tecomate terminals on the gulf, 23 miles, and a loop to the Juan Casiano or north end of the district. Three 10-inch loading lines extend 4,500 feet to deep water where tankers can load.

A third 10-inch line is being laid from Los Naranjos to Zacamixtle, with pump station, to be ready by April 15. A topping plant (to extract gasoline and kerosene) is under construction at Tecomate at a cost of approximately $2,000,000, to be ready for operation about June 1.

When all these installations have been completed they will represent, including the drilling of ten wells, maintenance and lease bonus payments, approximately $15,000,000, leaving the Atlantic Gulf Oil Corp. about as comfortably situated as any of the Mexican oil companies. Since

May, 1920, to February 28, 1921, approximately 12,000,000 barrels of crude oil has been produced and marketed, except such quantity as is held in tanks having a capacity of 500,000 barrels. Some of this oil has been sold in the field or loaned to other operators temporarily, ranging from $1 to $1.25 a barrel at gulf terminals. The company has a contract with the United States Shipping Board for 15,000,000 barrels, 1921 delivery, probably at around $1.25 a barrel. The Agwi Steamship Co. also takes some of the oil. The shipping trade is pretty dull just now, and perhaps will not take the full quantity, but it can be sold elsewhere.

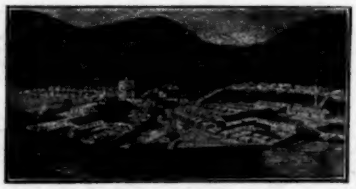
It may be reasonably expected that the three big producers will go the salt water route of all other big wells in that rich field, that expectation having been discounted as far as possible by the drilling of five wells in the south Amatlan district north of Zacamixtle in good territory, and part of them should be producers.

It may afford a little consolation to those persons who doubt the wisdom of the proposed refineries, pipe lines and terminals in France and England and in South America to know that the minority but managerial interests of the Atlantic Gulf Oil Corp. did not commit themselves to the expansion plans and expenditures, thus saving about half of the resources of the oil company from any losses that may ensue from failure in that direction. The six tankers of the twelve ordered, delivered and in commission, even at war cost now cut in two, represent an earning investment that is not dead loss. The oil business is so good, when it is good, that it carries through safely many handicaps that in some other industries would bring disaster; the oil business has prospered in spite of many extravagancies and amateur experiments, and with intelligent business management is as well grounded as any investment on such a large scale.

In other words, the *Steamship Co.* may go bad, but the *Oil Corporation* looks good.

A Railroad Subsidiary

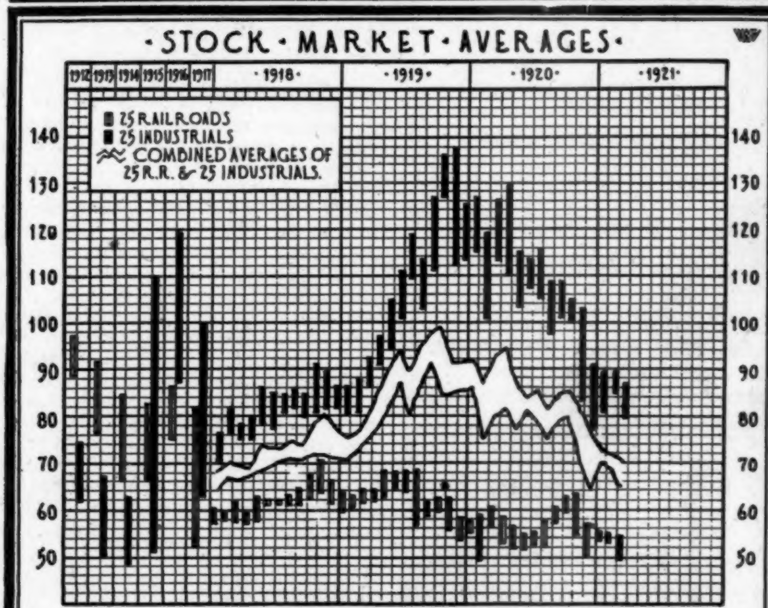
Absaroka is the Indian name of a subsidiary the Northern Pacific Railroad Company has organized to handle its granted lands in Montana for leasing to oil operators or for operation itself. The capital is nominal and has been subscribed closely by company officials and stockholders. The Northern Pacific Railroad Company owns more than 4,000,000 acres in Montana, Idaho, North Dakota and Wyoming, but none of it is within the present oil-producing limits, although a well of some sort was recently completed in the Crow reservation near Harbin. The only commercial oil development so far in Montana is in the eastern part of Fergus county in the drainage area of the Musselshell river, known as the Cat Creek field. The producing area is very small, but other similar pools may be discovered along the Musselshell. The new oil subsidiary of the Northern Pacific isn't quite as husky as the Pacific Oil Co., subsidiary of the Southern Pacific, so there is nothing to get worked up about. It merely has prospects. The Ohio Oil Co. has leased seven sections in Montana from the Northern Pacific, purely wildcat.—vol. 27, p. 706.

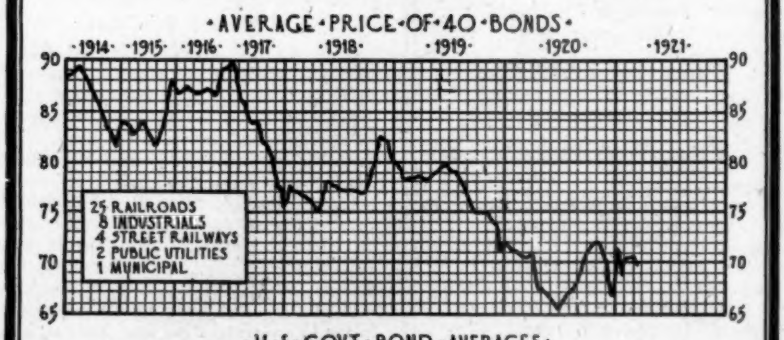


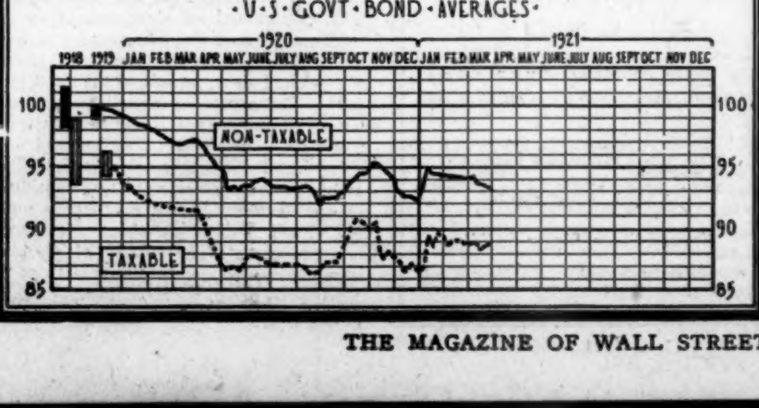
One of the Three Whalen Mills

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, February 28	70.15	74.98	73.32	70.13	69.06	424,425
Tuesday, March 1	70.19	74.71	72.41	69.40	68.22	589,800
Wednesday, March 2	70.11	75.19	72.83	69.53	68.27	491,020
Thursday, March 3	70.14	75.23	72.96	69.72	68.86	420,586
Friday, March 4	70.11	75.11	73.23	69.65	68.69	482,718
Saturday, March 5	70.11	75.25	73.42	69.42	69.08	146,200
Monday, March 7	70.13	75.26	72.87	69.80	68.64	476,935
Tuesday, March 8	70.06	74.91	72.54	69.00	68.06	439,225
Wednesday, March 9	69.87	74.60	71.61	68.62	67.76	386,985
Thursday, March 10	69.76	73.60	70.20	68.24	66.95	777,550
Friday, March 11	69.60	72.25	69.10	66.82	65.22	1,096,290
Saturday, March 12	69.59	72.76	69.56	66.30	64.90	1,479,150
Monday, March 14	69.57	72.99	69.18	66.41	65.15	620,276
Tuesday, March 15	69.74	73.87	70.16	66.66	65.13	643,940
Wednesday, March 16	69.87	75.20	71.62	67.96	66.34	823,910
Thursday, March 17	70.08	75.44	70.62	68.22	66.88	814,291
Friday, March 18	69.90	76.30	70.75	68.40	66.88	796,600
Saturday, March 19	69,97	76.56	70.99	68.66	68.02	375,130
Monday, March 21	69.94	76.03	70.07	68.66	67.38	664,886
Tuesday, March 22	69.88	76.60	70.31	68.29	67.10	577,775
Wednesday, March 23	69.85	77.78	71.04	69.78	68.30	1,287,788
Thursday, March 24	69.88	77.39	70.90	69.16	68.17	638,292
Friday, March 25	Holiday.					
Saturday, March 26	70.00	77.13	71.06	69.04	68.41	336,555







Financial News and Comment

NOTE.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.

RAILROADS

Buffalo, Rochester & Pittsburgh.—Has applied for authority to issue $3,949,000 of consolidated mortgage 4½% bonds to refund existing obligations and reimburse the carrier's treasury for moneys to pay off underlying securities.

Chicago, Burlington & Quincy.—Granted permission to issue $60,000,000 additional stock as a step to assist the two owning lines to meet the $215,000,000 Great Northern-Northern Pacific joint Burlington collateral 4s maturing July 1, next. The Commerce Commission refused that part of Burlington's application which requested permission to capitalize an additional part of its surplus by the issuance of $80,000,000 bonds.

The purpose in increasing the amount of outstanding Burlington stock was to provide a broader basis of security for the refunding issue, it being held advisable to increase the ratio between stock and bonds.

It is possible that the amount of the stock dividend will be just 600,000 shares instead of 600,994.. A dividend of 54.132% on the amount of stock outstanding at the close of 600,994. A dividend of 54.132% on the figure, but it may be that a slightly smaller amount is now outstanding, on which a dividend of 54.132% would equal just $60,000,000.

INDUSTRIALS

American Brake Shoe & Foundry Co.—Annual Report for the fiscal year 1920 shows a net income, after all charges and Federal taxes, of $2,571,848. This is equivalent, after dividends on subsidiary stocks and the preferred shares, to $13.08 a share on the outstanding 148,410 shares of common stock of no par value, and compares with a net income of $2,316,969 for the preceding fiscal year.

American International Corp'n.—Annual Report for the year ended Dec. 31, last, shows net earnings, after all charges and Federal taxes, of $1,783,467, equivalent to $3.56 a share on the $50,000,000 combined common and preferred stock. This compares with net earnings of $4,719,157, or $9.43 a share earned in the previous year.

The balance sheet as of Dec. 31 last, shows current assets of $49,536,634, and current liabilities of $24,898,953, making net working capital of $24,637,701, against $23,146,692 at the close of 1919. Cash on hand at the end of last year amounted to $4,613,337, against $1,817,794 twelve months previous. Against this call loans standing at $5,950,000 at the end of 1919 had been reduced to zero at the close of 1920.

Investments in subsidiaries and other corporations were increased from $30,815,836 to $32,207,626 during the year. Inventories at the close of 1920 were $12,524,003, compared with $15,049,126 twelve months previous; accounts and bills receivable were $32,399,314, against $25,579,225; accounts payable, etc., $1,308,930, against $2,280,935, and bank loans unsecured were $8,750,000, against $1,173,057.

American Radiator Co.—Annual Report for 1920 shows net profits, after all charges and taxes, of $3,367,717, equivalent, after deduction of preferred dividends, to $22.87 a share on the $13,806,225 outstanding common stock. This compares with net profits of $3,036,247, or $23 a share earned on the $12,278,400 outstanding common stock for the 11 months ended Dec. 31, 1919.

American Smelting & Refining Co.—Annual Report for 1920 shows net income, after all charges, depreciation and Federal taxes, of $6,674,778, equivalent after deduction of preferred dividends to $4.02 a share on the $60,998,000 common stock outstanding. This compares with a net income of $5,595,584, or $2.22 a share earned in the previous year. After payment of preferred and common dividends there was a surplus for the year of $12,721, against a deficit of $1,084,658 at the close of 1919.

The consolidated general balance sheet as of Dec. 31, last, shows property account, $131,225,157; metal stocks on hand, $53,814,012, against $48,761,108 at the close of 1919; cash, $4,157,750, compared with $4,573,236; Liberty bonds, $3,282,450, compared with $6,193,100; accounts and notes receivable, $7,728,238, against $11,796,796, and accounts payable $22,346,613, compared with $21,419,046.

American Tobacco Co.—Annual Report for the year ended Dec. 31, last, shows total income of $18,615,398, after provision for Federal taxes. This is the largest return for any year in the company's history, comparing with $18,409,004 in 1919, the previous high record.

The surplus after charges and Federal taxes was $15,151,155, equivalent, after deduction of preferred dividends, to $13.38 a share on the $89,542,600 combined common stock and common B stock. This compares with a surplus of $15,972,572, or $31.83 a share on the $40,242,400 stock outstanding in the previous year.

Bethlehem Steel Corp'n.—Pamphlet Report covering the year ended Dec. 31, last, shows net income, after charges and Federal taxes, of $14,458,835, equivalent, after deduction of preferred dividends on the 8% cumulative and 7% non-cumulative preferred stocks, to $18.40 a share on the $59,862,000 total "A" and "B" common stock. This compares with a net income of $15,356,860, or $19.90 a share on the common stock in the previous year.

The consolidated balance sheet as of Dec. 31 last, shows total current assets of $137,757,496, and total current liabilities of $59,539,826, leaving working capital of $78,217,670. This compares with total working capital of $107,031,801 at the close of 1919.

Bliss (E. W.).—Net Earnings for the year ended Dec. 31, last, after taxes and depreciation, were $2,376,338, equivalent, after preferred dividends, to $7.53 a share on the 300,000 shares (no par value) common stock. This compares with net earnings of $1,855,524, reported for the previous year.

Butterick Co.—Annual Report for 1920 shows net profits, after Federal taxes, of $307,713, equivalent, after allowing for preferred dividends, to $1.60 a share on the $14,642,100 common stock. This compares with net profits of $326,494, or $2.18 a share earned on the common stock in 1919.

The consolidated balance sheet as of Dec. 31, last, shows real estate, etc., $2,319,769; good will, $13,893,271; accounts and notes receivable, $1,923,256; inventory, $1,949,470, compared with $1,308,168 at the close of 1919, and cash, $466,491, compared with $204,982. Accounts and notes payable were $1,916,727, against $709,782, on Dec. 31, 1919, and total profit and loss surplus was $2,198,484, against $1,964,182.

Case (J. I.) Threshing Machine Co.—Annual Report for the fiscal year 1920 shows net profits, after all charges and Federal taxes, of $1,936,963. This is equivalent, after deduction of preferred dividends, to $7.89 a share on the $13,000,000 outstanding common stock, and compares with net profits of $2,909,482, or $22.30 a share earned on the $9,100,000 common stock in the preceding year.

Colorado Fuel & Iron Co.—Annual Report for 1920 shows a surplus, after depletion, depreciation and Federal taxes, of $1,286,806, equivalent, after preferred dividends, to $3.29 a share on the $24,235,500 common stock. This compares with a deficit of $577,646 reported for the previous year.

Deere & Co.—Net Income for the year ended October 31, last, was $4,647,718, and after payment of preferred dividends amounting to $2,450,000, there was a balance of $2,197,718, compared with a balance of $2,807,177 on the same date of 1919. The total profit and loss surplus on October 31, last, amounted to $17,237,487, against $15,039,769 in 1919.

Fairbanks, Morse & Co.—Net Profits for 1920 were $2,678,735, after providing for sinking fund, Federal taxes, and $1,650,000 reduction in inventory. After preferred dividends there was a balance of $2,558,735 for the common stock, equal to about $8.25 a share. The balance for the common stock in 1919 was $3,176,862.

Gaston, Williams & Wigmore, Inc.—Receivers have been appointed for the company in an equity suit brought by the Sumner Co., a State of Washington machinery corporation, which has a claim of $60,000. It is said that the liabilities of the company exceed $6,000,000 due to banks on notes and for machinery and other merchandise.

The receivership follows repeated attempts on the part of the management to rearrange the affairs of the company in a manner which would care for its obligations and protect the interests of the stockholders. It is said that the affairs of the company will be held in statu quo until the assets are marshalled and a plan is formulated for reorganization or liquidation. The company has very large interests, but there has been a lack of money to carry on the business. An affiliated concern in London is the only branch of the company that is said to be now operating profitably, and it is proposed to form a separate organization out of this subsidiary to do business on a purely commission basis. If this plan is decided upon under the reorganization it is expected that the stockholders will receive share for share in the new company without additional payment.

Goodrich (B. F.) Co.—Net Profits in 1920 amounted to $921,248, before Federal taxes, but after depreciation and loss arising through conversion of net assets of foreign subsidiary companies at depreciated rates of exchange. This was equivalent to $2.39 a share on the $38,412,000 preferred stock. For 1919 the company showed net profits of $17,304,813, equivalent, after preferred dividends, to a little over $25 a share on the $60,000,000 outstanding common stock.

Gulf State Steel Co.—Net Profits, after charges and Federal taxes, for the year ended Dec. 31, last, were $751,220. This is equivalent, after deduction of 1st and 2nd preferred dividends, to $5.44 a share on the $11,138,150 common stock, and compares with net profits of $279,421, or $1.20 a share earned on the $11,136,550 common stock outstanding in the previous year.

Harbison-Walker Refractories Co.—Net Profits for 1920, after charges and Federal taxes, were $2,869,996. This is equivalent, after deduction of preferred dividends, to $8.79 a share on the $27,000,000 common stock, and compares with net profits of $3,114,477, or $14.10 a share earned on the $18,000,000 common stock outstanding in the previous year.

Hupp Motor Car Corp'n.—Balance Sheet as of November 30, last, shows a profit and loss surplus of $5,963,292, subject to Federal taxes as of Nov. 30, last, and compares with a surplus of $4,002,344 after deduction of reserves for taxes on June 30, 1920. Other items are plants and buildings not used in operations, $4,151,251; good will, trade marks, etc., $3,858,920; accounts and notes receivable, $710,105, as compared with $1,397,975 on June 30, previous; cash, $281,542, compared with $1,026,048; inventories, $5,232,145, against $3,791,368; and current liabilities, $3,139,739, compared with $1,838,110. The company's working capital on Nov. 30, last, amounted to $4,875,660.

Jewel Tea Co.—Net Loss, after adjustment of inventories, etc., for the year ended Dec. 31, last, was $2,183,506, as compared with a net loss of $1,607,602 for 1919. The balance sheet as of Dec. 31, last, shows inventories, etc., $3,104,431, compared with $4,379,151 at the close of 1919; accounts receivable, $720,742, against $1,007,711; cash, $498,370, against $623,176; notes payable, $450,000, against $150,000, and accounts payable, $179,899, compared with $117,907.

Kelsey Wheel Co., Inc.—Annual Report for the year ended Dec. 31, last, shows net profits, after charges and Federal taxes, of $1,916,008. This is equivalent, after deduction of preferred dividends, to $17.24 a share on the $10,000,000 common stock, and compares with net profits of $1,626,586, or $14.26 a share earned in the previous year. The consolidated balance sheet as of Dec. 31, last, shows plants, equipment, etc., valued at $7,109,758, with patents, good will, etc., appraised at $9,543,236. Inventories were $4,244,788, compared with $3,273,149 at the close of 1919; notes and accounts receivable were $1,153,414, compared with $1,480,274; cash, $457,764, against $481,816; notes payable, $2,392,000, against $650,000, and accounts payable, $938,646, compared with $1,109,567.

McCrory Stores Corp'n. — February Sales were $1,893,491, an increase of $185,503 over February of last year. For the two months ended with February, sales totaled $2,796,849, an increase of $205,736 over the corresponding period of 1920.

Mullins Body Corp'n.—Operations at the Salem, Ohio, plant of the corporation have been suspended, owing to the fact that the employees have refused to work nine hours a day for wages paid previously for eight hours. The men had asked for a reduction of 10% in wages and that the eight-hour schedule be kept in effect.

National Acme Co.—Net Income, after all charges and Federal taxes, for the year ended Dec. 31, last, was $2,455,336, equivalent to $4.91 a share ($50 par value) on the $25,000,000 capital stock. This compares with net income of $2,417,167, or $4.83 a share earned in the previous year.

New River Co.—Net Profits for 1920 were $4,683,157, and net income, after setting aside a reserve of $1,679,798 for excess profits taxes, was $3,003,360. This is equivalent to about $40.75 a share on the preferred stock, and compares with $8.30 a share earned in 1919.

Nova Scotia Steel & Coal Co.—For the year ended Dec. 31, last, the company and its subsidiary companies report net income after charges and taxes, of $1,209,407. This is equivalent, after preferred dividends, to $6.93 a share on the 150,000 shares of outstanding common stock, and compares with a net income of $1,029,876, or $5.73 a share earned in the previous year. The company's balance sheet as of Dec. 31, last, shows total assets and liabilities of $38,391,400. Mining properties, plant and equipment were valued at $24,395,128; inventories stood at $5,415,080; other accounts and bills receivable totaled $2,051,860; Victory Bonds amounted to $1,261,458, and cash and call loans amounted to $1,232,349, while current liabilities stood at $4,214,862.

Pacific Mail Steamship Co.—Annual Report for the fiscal year 1920 shows net income, after charges and Federal taxes, of $1,277,470, equivalent to about $4.25 a share on the $1,500,000 capital stock (par value $5). This compares with a net income of $1,776,761, or $5.92 a share earned in the preceding year.

Parish & Bingham Corp'n.—Net Sales in the year ended Dec. 31, last, amounted to $9,128,443, but manufacturing profit was only $38,629. After general and administrative expenses and other charges, and dividends, there was a deficit for the year of $807,589, reducing the profit and loss surplus to $2,332,363 from $3,139,952 reported at the close of 1919. The balance sheet as of Dec. 31, last, shows cash on hand and on deposit of $281,418; notes and accounts receivable, $386,834; inventory, $1,957,703; notes and accounts payable, $2,382,658, and total assets and liabilities of $5,686,770.

Peerless Truck & Motor Corp'n.—Net Income, after charges and Federal taxes, for the fiscal year ended Dec. 31, last, was $1,063,306, equivalent to $5.31 a share on the 200,000 shares ($50 par value) outstanding. This compares with a net income of $872,154, or $4.36 a share earned in the previous year. The balance sheet as of Dec. 31, last, shows plants, buildings, equipment, patents, and good-will valued at $5,834,809; inventories, $5,410,080; accounts and notes receivable, $617,974; Government obligations, $1,406,208; cash on hand, $421,312; accounts payable, $237,116, and total assets and liabilities of $13,854,607.

Penney (J. C.) Co.—For the year ended Dec. 31, last, the company reports a loss, after charges and depreciation, of $355,747, as compared with a net income, after charges and Federal taxes, of $1,877,692, in 1919. Gross sales last year were $42,846,009, compared with $28,793,965 in 1919, and gross profits were $5,663,250, against $7,157,711.

Pittsburg Plate Glass Co.—Gross Profits for the year ended Dec. 31, last, were $10,858,096, compared with $11,560,635 for 1919, and balance after depreciation, Federal taxes, etc., was $5,501,509, against $8,464,898. After payment of dividends aggregating $3,355,964 there was a surplus for the year of $2,145,545, compared with a surplus of $6,654,340 for the preceding year.

Republic Motor Truck Co.—Year's Earnings.—The company's report for 1920 shows, after expenses, interest charges, and adjustment of inventory values, etc., a deficit of $344,564. Profits from sales amounted to $2,882,220, and total income amounted to $3,151,626. After expenses, interest charges, etc., there was a net profit from operations of $559,182. The balance sheet as of Dec. 31, last, shows plant and equipment valued at $2,309,636, with good will, $405,936. Inventories were $5,612,392, compared with $5,301,479 at the close of 1919; notes and accounts receivable, $773,878, against $373,928, and cash, $493,281, compared with $1,268,824. Notes payable were $571,697, as compared with $1,160,493 the year before.

Reynolds (R. J.) Tobacco Co.—Net Earnings, after all charges and taxes, for the year ended Dec. 31, last, were $10,691,294, equivalent, after preferred dividends, to $3.87 a share (par $25) on the $60,000,000 combined common stock and Class B common stock. This compares with net earnings of $11,272,754, earned in the previous year. The balance sheet as of Dec. 31, last, shows cash, $9,683,456; accounts receivable, $7,642,042; inventories, $69,017,777; other assets, $20,763,091; accounts payable, $1,348,514, and undivided profits, $2,064,102.

Stern Bros., Inc.—Total Income for the year ended Jan. 31, last, was $1,686,388, compared with $2,226,466 in 1920, and surplus, after preferred dividends, was $682,385, against $1,314,558 in the previous year.

Studebaker Corporation.—Annual Report for the year ended Dec. 31, last, shows net profits, after charges and Federal taxes, of $9,822,054. This is equivalent, after payment of preferred dividends, to $15.18 a share on the $60,000,000 common stock, and compares with net profits of $9,312,283, or $28.54 a share earned on the $30,000,000 common stock outstanding in the previous year.

The balance sheet as of Dec. 31, last, shows plants, good will, patents, etc., $55,969,881, against $45,514,131 at the close of 1919; cash, $2,226,234, against $4,171,175; accounts and notes receivable, $5,628,774, compared with $6,541,155; inventories, $28,076,793, compared with $20,607,338; notes payable, $8,500,000, against nothing last year; accounts payable, $2,312,341, compared with $3,619,818, and surplus, $9,822,048, compared with $20,925,583.

It is stated in this connection that the demand for the company's cars is quite heavy, coming from practically all sections of the country. In a number of places the demand is double and treble what it was last spring. March sales will probably exceed 5,000 cars, while the manufacturing schedules call for 5,235 cars for that month, 5,440 for April, 7,015 for May and 7,320 for June.

Union Bag & Paper Corp'n.—Annual Report for the fiscal year 1920 shows a surplus, after charges and Federal taxes, of $3,474,926, equivalent to $23.20 a share on the $14,977,850 outstanding capital stock. This compares with a surplus of $1,680,619, or $16.81 a share earned on the $10,000,000 stock outstanding in 1920.

United States Cast Iron, Pipe & Foundry Co.—Annual Report for the year ended Dec. 31, last, shows a surplus, after charges, expenses and taxes, of $851,593, equivalent, after deduction of the 7% dividend on the $12,000,000 outstanding preferred stock, to about 9 cents a share on the $12,000,000 outstanding common stock. This compares with a loss of $503,703 reported for the previous year.

The balance sheet as of Dec. 31, last,

showed cash on hand, $712,826; accounts and notes receivable, $3,709,282; inventories, $2,280,059; accounts and bills payable, $2,773,891, and a total profit and loss surplus of $3,486,512.

United States Steel Corp'n.—Annual Report for 1920 shows that year to have been the biggest in the corporation's history, with a gross business of more than $1,750,000,000. The balance applicable to the $508,302,500 common stock was $84,474,550, equivalent to $16.62 a share on that issue. This compares with a balance of $51,574,905, or $10.15 a share earned in 1919, and $100,087,700, or $19.70 a share in 1918. Surplus after dividends was $59,059,425, compared with $26,159,781 in 1919, an increase of $32,899,654.

Current assets as of Dec. 31, last, were $702,370,464, which, together with sinking fund and reserve fund assets of $50,332,334, makes a total of $752,702,818. Current liabilities were $156,745,195, so that net working capital was $595,957,623, as compared with $569,988,258 at the close of 1919, an increase of $25,969,365. Inventories on Dec. 31, last, were $258,363,497, against $226,796,678 at the end of the previous year.

Vanadium Corp'n of America.—Financial Statement covering the period of 15½ months from Sept. 16, 1919, to Dec. 31, 1920, shows net income for that period, after all charges and Federal taxes, of $2,573,930, equivalent to $6.62 a share on the 373,334 outstanding shares of no par value.

The balance sheet as of Dec. 31, last, shows cash, $1,613,443; accounts receivable, $1,075,723; inventories, $2,429,091; plants, mining properties, etc., $10,356,347; accounts payable, $372,321, and total assets and liabilities of $16,539,805.

Vanadium Steel Corp'n.—The directors have voted to omit the usual quarterly dividend on the stock. Three months ago $1 per share was ordered paid, and in April, July and October of last year $1.50 per share was paid.

Van Raalte Company, Inc.—Annual Report for 1920 shows net profits of $1,221,598, before deduction of Federal taxes, and of $931,598 after such deduction. Dividends on the preferred stock amounted to $297,500, leaving a balance to be transferred to surplus of $634,098. The merchandise inventory on Dec. 31, last, at market price, was $4,278,612.

Virginia Iron, Coal & Coke Co.—Surplus after charges and Federal taxes for the year 1920 was $2,140,053, equivalent to $21.40 a share on the $10,000,000 capital stock. This compares with a surplus of $1,075,329, or $11.85 a share earned on the $9,073,600 capital stock outstanding in 1919.

Welsbach Co.—For the fiscal year 1920 the company reports a net income, after depreciation and interest charges, but before Federal taxes, of $519,842. This is equivalent, after preferred dividends, to $12.40 a share on the $3,500,000 outstanding common stock, and compares with a net income of $414,275, or $9.38 a share earned in the previous year.

White Motor Co.—Annual Report for the year ended Dec. 31, last, shows a surplus, after charges and Federal taxes, of $2,410,014, equivalent to $4.82 a share ($50 par value) on the $25,000,000 outstanding capital stock. This compares with a surplus of $2,868,875, or $5.83 a share earned on the $24,604,875 capital stock in 1919.

The balance sheet as of December 31, last, shows inventories of $22,989,073, compared with $15,728,141 on December 31, 1919; accounts and notes receivable, $6,765,044, compared with $6,071,854; cash, $1,472,329, against $1,031,786; Government securities, $161,988, compared with $5,311,000; notes payable, $7,200,000, against $500,000, and accounts payable, etc., $3,105,698, compared with $3,423,779.

Wickwire Spencer Steel Corp'n.—Annual Report for 1920 shows net sales of $32,623,894, and a balance, after taxes and charges, of $3,001,082. The profit and loss surplus on Dec. 31, last, stood at $8,545,121.

Wilson & Co.—Annual Report for the fiscal year 1920 shows a loss, after interest charges, of $940,850. This compares with net profits of $2,771,325, equivalent after preferred dividends to $10.20 a share earned on the 200,000 shares of common stock of no par value in the preceding year. After paying dividends on the common and preferred stock aggregating $1,750,000, there was a deficit for the year of $2,691,561.

The consolidated balance sheet as of Dec. 31, last, shows plants and equipment valued at $30,613,275; good will, patents, etc., $11,354,928; merchandise, $27,236,582, compared with $50,990,068 at the close of 1919; accounts and notes receivable, $21,393,520, against $18,767,407; notes payable, $21,762,140, compared with $25,659,446, and accounts payable, $3,112,657, compared with $6,540,654.

Yale & Towne Mfg. Co.—Net Profits, after charges and Federal taxes, for the year ended Dec. 31, last, were $2,324,470, equal to about $46.50 a share on the $4,996,909 capital stock. This compares with net profits of $2,363,094, or $47.29 a share earned in 1919.

PUBLIC UTILITIES

American Gas & Electric Co.—Gross Earnings of subsidiary companies for the fiscal year 1920 were $15,350,937, against $12,331,198 for 1919, and net earnings were $4,686,281, against $3,867,100.

Surplus after payment of preferred dividends was $1,509,275, which is equivalent to over 26% on the company's $5,772,650 outstanding common stock. This compares with a surplus of $1,597,107 for 1919, and $587,966 for 1918.

Columbia Gas & Electric Co.—Annual Report of the company and subsidiary companies for the fiscal year ended Dec. 31, last, shows a surplus, after charges and taxes, of $4,839,377, equivalent to $8.68 a share on the $50,000,000 outstanding capital stock. This compares with surplus earnings of $3,257,400, equivalent to $6.51 a share, in the previous year.

The balance sheet as of Feb. 31, last, shows the company to be in a strong cash position. Accounts receivable were $1,965,191, compared with $1,593,758 at the close of 1919, and cash was $2,100,020, compared with $1,474,024. Accounts payable were $1,071,521, against $493,432, and profit and loss surplus was $3,026,352, compared with $2,262,508, after adding about $860,000 to reserves, making that item $3,593,361.

Consolidated Gas, Electric Light & Power Co. of Baltimore.—Total Gross Income for 1920 was $15,433,458, compared with $12,813,617 in 1919 and net earnings, after charges, taxes, etc., was $1,406,474, equivalent to $9.62 a share on the $14,608,700 capital stock. This compares with a surplus of $1,592,089, or $10.90 a share earned in 1919. After payment of dividends and deduction for

depreciation, etc., there was a balance of $40,379, against $36,063 for the preceding year.

Chicago Railways Co.—Year's Earnings. The company's Report for the year ended Jan. 31, last, shows total receipts of $4,810,797, an increase of $527,031 over the preceding fiscal year, and a balance after bond interest, etc., of $1,485,189, an increase of $181,212. The final surplus at the close of the fiscal period was $859,693, compared with $454,530 for the 12 months previous.

Cumberland Telephone & Telegraph Co.—Annual Report for the fiscal year 1920 shows a surplus after all charges and taxes, of $145,589, equivalent to 84c a share on the $17,250,050 capital stock. This compares with a surplus of $887,882, or $5.87 a share earned on the $14,773,450 capital stock outstanding in the preceding year.

Dayton Power & Light Co.—Gross Earnings for 1920 were $3,734,487, compared with $2,932,868 for the previous year, and balance, after charges, etc., was $432,628, compared with $433,209. This balance was equal, after preferred dividends, to $7.33 a share on the $3,053,000 outstanding common stock, and compares with $7.85 a share earned in the previous year.

Montana Power Co.—Annual Report for the fiscal year 1920 shows a surplus, after charges and Federal taxes, of $3,057,723. This is equivalent, after deduction of preferred dividends, to $5.13 a share on the $46,407,500 dividend bearing common stock, and compares with a surplus of $2,167,055, or $3.43 a share earned on the $43,407,500 common stock outstanding in the previous year.

Portland Railway, Light & Power Co.—Gross Earnings in January were $893,235, an increase of $124,427 over January of 1920, and surplus after charges and taxes was $120,525, against $75,363.

For the 12 months ended wtih January gross earnings were $9,689,042, an increase of $1,032,780 over the preceding 12 months, and surplus after charges and taxes was $832,005, compared with $834,065.

Southern Bell Telephone & Telegraph Co.—Surplus after all charges and taxes for the year ended Dec. 31, last, was $803,240. This is equivalent to $6.67 a share on the $30,000,000 capital stock, and compares with a surplus of $1,817,750, or $6.60 a share earned on the $27,500,000 outstanding capital stock in 1919.

Utah Power & Light Co.—January Gross Earnings were $654,751, compared with $576,949 for January, 1920. Net earnings were $342,797, compared with $274,442, and balance after charges, etc., was $210,358, compared with $145,535.

For the 12 months ended with January gross earnings were $6,808,651, against $5,726,053 for the preceding 12 months; net earnings were $3,199,756, compared with $2,788,071, and balance after charges, etc., was $1,638,914, compared with $1,238,741. After payment of dividends on the preferred stock there was a balance available for the common stock of $1,047,414, against $663,285 for the preceding 12 months.

MINING

Allouez Mining Co.—Financial Report for 1920 shows a loss of $248,989, which compares with a loss of $73,738 in 1919.

Ahmeek Mining Co.—Receipts from sales of copper in 1920 totaled $2,391,358, against $2,289,032 in 1919. After dividends, etc., there was a deficit of $741,919, against a deficit of $709,535 for the preceding year. The production of refined copper in 1920 amounted to 20,489,438 lbs., against 17,223,111 lbs. in the preceding year.

American Zinc, Lead & Smelting Co. —Annual Report for the year ended Dec. 31, last, shows an operating loss of $92,409, and a deficit, after charges and preferred dividends, of $614,071. This compares with an operating loss of $19,226 in 1919, but profit realized by the company on the sale of Carson Hill Gold Mining Co. stock brought its receipts for that year to $432,037, equal to $5.36 a share on the 80,540 shares of preferred stock outstanding.

In his report to the stockholders President Ogg says that "in a general way conditions in all lines of our business are probably at their worst at the present time, and there should be improvement from now on, although the period of recuperation to a reasonably profitable basis may be protracted and will depend largely on the extent of improvement in the country's business in general. Present conditions have closed the company's Missouri mine, and the Wisconsin district, including the mine of the company's subsidiary, is largely shut down until conditions improve."

Centennial Copper Mining Co.—For the year ended Dec. 31, last, the company reports a loss from copper delivered of $39,816, as compared with a loss of $48,029 in 1919. The loss after Federal taxes, etc., amounted to $165,821, against $96,295 in the previous year.

The balance sheet as of Dec. 31, last, shows cash amounting to $110,414; accounts receivable, $22,426; and accounts payable, $22,466.

Cerro de Pasco Copper Co.—February Production of copper was 4,154,000 lbs. compared with 4,086,000 lbs. in January, 4,258,000 lbs. in February, 4,698,000 lbs. in November, and 4,718,000 lbs. in February, 1920.

Consolidation Coal Co.—Annual Report for the fiscal year 1920 shows a surplus, after charges and Federal taxes, of $4,820,844, equivalent to $11.99 a share on the $40,205,448 capital stock outstanding. This compares with a surplus of $3,009,278, or $7.48 a share earned in the previous year. Coal mined by the company in 1920 aggregated 8,100,437 net tons, against 7,200,333 net tons in 1919.

Elk Horn Coal Corporation.—Annual Report for 1920 shows net profits of $1,404,754, after expenses and Federal taxes. This is equivalent, after preferred dividends, to $4.20 a share on the $12,000,000 common stock, and compares with net profits in 1919 of $64,587, or 49c a share on the $6,600,000 preferred stock outstanding.

Island Creek Coal Co.—Net Profits for 1920, after tax reserves, were $2,482,713, an increase of $1,298,711 as compared with 1919. After preferred dividends, last year's profits were equal to $18.37 a share on the 118,801 shares of outstanding common stock. This compares with $7.45 a share earned in 1919, and about $7 a share earned in 1918.

Kennecott Copper Corporation.—February Production of copper was 6,957,820 lbs. This compares with 7,461,240 lbs. in January, 10,599,489 lbs. in December, 11,146,000 lbs. in November, and 9,120,300 lbs. in February of last year.

Magma Copper Company.—Develop-

ment Work going on at the company's mine continues to show gratifying results: Recently a cross-cut was driven on the 1,800 ft. level, about 600 feet west of the recent strike on the 2,000 ft. level, and this disclosed a 16-foot vein, running, it is said, about 7% copper and about $3.50 in silver and gold.

From all accounts, development work is proving up Magma as one of the country's most important copper properties, and also as one of the lowest cost producers, with its high values in gold and silver.

Miami Copper Co.—February Production of copper amounted to 4,200,101 lbs., which compares with 4,389,993 lbs. in January, 4,373,123 lbs. in December, 4,505,232 lbs. in November, and 4,089,520 lbs. in February, 1920.

Osceola Copper Co.—Financial Statement covering the fiscal year 1920 shows a loss of $770,515, which, with the dividends paid, brought the total deficit up to $873,665. This compares with a profit in 1919 of $112,559, equivalent to about $1.75 per share on the outstanding stock.

Pond Creek Coal Co.—Net Profits for the year 1920 totaled $600,916, after all charges, an increase of $393,146 over 1919. Last year's profits were equal to $2.82 a share on the 212,920 outstanding shares of stock, and compares with 97c a share earned in 1919.

Superior Copper Co.—Annual Report for 1920 shows a net loss of $151,290. Copper production totaled 322,871 lbs., which, with a carry-over of 183,316 lbs. from 1919, gave the company 506,187 lbs. of metal available for sale last year. Of this amount the company sold 183,316 lbs., with the result that there was an unsold balance at the end of 1920 of 322,871 lbs. The average cost of copper sold and delivered was 19.61c a lb., while the average price received was 18.36c.

United Verde Extension Mining Co.—Dividend Reduced. The company has declared a dividend of 25c a share, payable May 2 to stockholders of record April 5. Three months ago it paid a dividend of 50c a share.

OILS

Continental Oil Co.—Net Earnings for the year ended Dec. 31, last, after deduction of Federal taxes and depreciation, were $2,487,025, against $1,563,601 in 1919. Last year's earnings were equivalent to about $25.11 a share on the outstanding 99,048 shares.

Freeport Texas Co.—Annual Report for the year ended Nov. 30, 1920, shows a deficit, after Federal taxes, depreciation, and depletion, of $38,982. In the previous year the company had net income of $624,838, equivalent to about $1.25 a share on the outstanding 500,000 shares of capital stock of no par value.

Houston Oil Company of Texas.—Preliminary Statement for the 15 months ended Dec. 31, last, shows consolidated net earnings from oil and timber operations, after expenses and Federal taxes, but before deducting depletion and depreciation, of $2,963,439, which is equivalent, after allowing for preferred dividends, to $9.17 a share on the $25,000,000 outstanding common stock.

The balance sheet as of Dec. 31, last, shows total current assets of $3,115,193, comprising cash, $1,059,569; accounts receivable, $412,036; accrued dividend certificates purchased, $902,873, and funds in the hands of the trustees available for payment of dividends on the preferred stock, $733,119. Current liabilities, including taxes accrued, amounted to $336,679, leaving net current assets of $2,778,514.

Indiahoma Refining Co.—Net Income for the year ended Dec. 31, last, after charges and Federal taxes, was $966,782, equivalent to 96c a share on the 1,000,000 shares ($5 par) of capital stock. This compares with a net income of $427,527, equivalent, after preferred dividends, to 69c a share earned on the $3,000,000 capital stock of $5 par value outstanding in the previous year.

Invincible Oil Corporation.—Net Earnings, after expenses, but before depletion, depreciation, or Federal taxes, for the eight months ended Aug. 31, last, were $6,157,638. The surplus after deducting depletion, depreciation, dry wells, etc., for 1919, was $1,224,110, making the total surplus as of Oct. 31, last, $6,724,636.

Island Oil & Transport Corporation.—Annual Report for 1920 shows net profits of $3,926,149, compared with $549,929 in 1919. This is equivalent to about $1.75 a share on the 2,250,000 shares of capital stock of $10 par value, and compares with approximately 25c a share earned in 1919.

Gross income from the sale of oil and other sources was $15,355,674, compared with $4,053,199 in the previous year, while operating expenses, freight, taxes, etc., totaled $7,413,951, against $2,826,543. For depreciation, depletion, etc., $3,387,160 was set aside, against only $13,000 in 1919. Shipments of oil totaled 12,872,884 barrels, compared with 6,213,145 in 1919. In the first two months of this year shipments aggregated 2,399,108 barrels.

Magnolia Petroleum Co.—Annual Report for 1920 shows net earnings of $23,157,188, after depreciation, depletion and other expenses, but before Federal taxes. This is equivalent to $19.73 a share on the outstanding $117,351,000 capital stock, and compares with net earnings of $9,365,973, or $15.96 a share earned on the $58,675,500 stock outstanding in 1919.

Middle States Oil Corp'n.—Net Income, after charges and Federal taxes, for the 3 months ended September 30, last, was $2,065,078. This is equivalent to $2.58 a share (par $10), on the $8,000,000 capital stock outstanding on the above date. Dividends of $764,594 were paid, leaving a surplus for the quarter of $1,300,484.

Oklahoma Producing & Refining Corporation of America.—Net Income for 1920, after depletion, depreciation and taxes, was $2,297,629, equivalent, after preferred dividends, to 47c a share (par $5) on the $21,541,000 common stock. After payment of common and preferred dividends there was a surplus for the year of $334,349.

The consolidated balance sheet as of Dec. 31, last, shows property account, $23,884,285; cash, $690,399; notes and accounts receivable, $842,813; inventories, including materials and supplies, $1,539,916; accounts and notes payable, $1,089,277, and a final profit and loss surplus of $816,228.

Pennok Oil Co.—Net Earnings from all sources during the year ended Dec. 31, last, amounted to $1,080,000, after deducting all charges except those for depletion, depreciation and Federal taxes. Oil sales amounted to $1,469,267, and operating and general expenses totaled $404,431. After deduction for depletion, depreciation and Federal taxes, there was a surplus of $233,485.

The report shows that the company has full or part interest in 222 producing wells and 13 gas wells. New leases totaling 2,510 acres were purchased during the year at a cost of $99,485.

Phillips Petroleum Co.—Annual Report for 1920 shows total earnings of $7,492,938, and a balance, after expenses, interest, taxes, etc., of $6,232,150. After setting aside reserves for depletion, depreciation, and development costs, there was a surplus of $1,619,485, equivalent to $2.45 a share on the 660,000 shares of stock of no par value.

In his remarks to the stockholders, President Frank Phillips states that the company added 437 oil and gas wells during the year, making a total of 849 wells in operation at the close of 1920, which number includes a few partnerships. The company now has 120 producing properties, a large part of which are in the initial stages of development, forty new properties having been added through discovery last year.

Producers & Refiners Corp'n.—Gross Earnings of the corporation for August were $636,116, against $427,862 in the corresponding month of 1918, while net earnings, before depletion, amounted to $419,389, as compared with $202,778.

Standard Oil Co. of California.—Annual Report for the year ended Dec. 31, last, showed profit and loss surplus of $122,303,707, an increase of $64,186,539. This large increase is accounted for principally by an addition of $27,742,991 from the year's earnings and appreciation of $36,395,316 on account of discoveries of new oil fields.

After deduction of depreciation, depletion and Federal taxes, net profits for the year amounted to $41,655,254, equivalent to $41.92 a share on the $99,373,311 capital stock. This compares with net profits of $31,062,768, or $31.26 a share earned in 1919.

Standard Oil Co. of Kansas.—Annual Report for the 1920 fiscal year shows net earnings, after charges and taxes, of $2,043,449. This is equivalent to $102.17 a share on the $2,000,000 capital stock, and compares with net earnings of $1,661,614, or $83.08 a share earned in 1919.

Texas Company.—Annual Report for the year ended Dec. 31, last, shows net profits, after charges and Federal taxes, of $31,089,372, equivalent to $5.98 a share (par value $25) on the $130,000,000 capital stock, excluding the $13,000,000 stock dividend warrants payable March 31 to stockholders of record December 10 last. This compares with net profits of $18,671,416, or $21.96 a share earned on the $85,000,000 stock of $100 par value outstanding in 1919.

The consolidated balance sheet as of December 31, last, shows total assets and liabilities of $333,434,921. The assets included real estate, leaseholds, tankage, etc., $127.298,261; investments in stocks and bonds of other companies, $21,590,404; current accounts, $36,500,000; merchandise oils, $98,219,866; accounts and notes receivable, $19,227,296, and cash, $15,882,912. At the close of 1919 merchandise oils were valued at $77,837,929, accounts and notes receivable were $14,849,704, and cash, $8,718,635.

Accounts and notes payable on Dec. 31, last, amounted to $20,458,083, against $24,546,224 at the close of 1919, and profit and loss surplus was $83,242,792, compared with $77,505,491.

COMMON SENSE IN SPECULATION

(*Continued from page 784*)

some promising issues in good time to get a goodly piece out of the middle of the movement, from average low to average high points.

Such study would cause a better appreciation of the difficulties of the subject, tolerance towards its students, encouragement in their work, and pleasure in the knowledge that each step in the process of understanding is that much nearer towards the ambitious goal of success that comes to the few.

Speculation is not based on "systems," however pretentious such claims may be. We have investigated hundreds of them, and the editor has personally examined the claims of various discoverers in the field during the past thirty years, and assures the writer and his readers "there is nothing in them."

Personally, I believe in *system* but not in "systems," and the principal implement in system is a chart or charts, or other mechanical means of relieving the memory.

Charts and the Chart Fiends

A chart is merely a graphic presentation of figures in a condensed form, giving a clear picture of the past. The writer is a firm adherent of charts, but is not necessarily a chart fiend. One need not be limited in his views because he holds a written record of ancient history, as long as he recognizes that it *is* ancient history, but is written down to remind and warn him every time he attempts to make a move.

No two stocks act alike, and no one stock acts with precision and uniformity as to movement, on two separate occasions. It will save money to remember this latter point.

We have said that speculation is the study of momentum.

A moving train going forward cannot physically reverse its direction without slowing down, stopping, and, lastly, reversing. With full steam up ahead, its momentum is forward, and it will continue in that direction until the engineer at the throttle does something. If it is going at fifty miles per hour it will take some time to go through all the motions necessary to complete reversal back. If it is going forward slowly, or with little steam up, it stands to reason that it can turn back more quickly.

The trend of that train is *forward*. Mere stopping does not alter its trend. If it goes back a little way on half steam, stops, and then starts going forward again with full steam ahead the interruption did not alter its main direction.

It takes a long time for the market to get up steam, after many months. It makes many false starts before it finally gets away from the depot. The thing to judge is its *momentum* on each forward move, and whether its various setbacks are sufficiently powerful to nullify the belief that it has gotten up enough steam to go right ahead eventually.

We are dealing with the beginning of a cycle and not a minor swing. We will leave the shorter swings for a subsequent article.

The end of a major cycle comes usually when the annual volume of sales has been far above normal, prices are at "record highs" (or similar "lows"), and very often everybody is positive they are going very much higher or very much lower. At the end of a bull market dividends are greater on all stocks than ever before, increases are a daily occurrence, and promises of bigger dividends, rights, stock dividends and huge melons are rampant. The volume of daily sales becomes double and even treble the turnover of the average of previous months; from hundreds of thousands of shares, the number of daily sales rises to millions. Another excellent indication is the interest of the public, the full attendance in brokers' offices, the transient fortunes earned and made by the butcher, baker and candle-stick maker, new promotions, new issues daily and intense excitement.

That market might go a little higher. There is no accounting for the act of a lunatic, and the public is a collective lunatic at such a time. Statistics and charts need not be looked at then for the purpose of cool judgment; the wise person will not only get out, and stay out, *but not even sell short when the public is clearly in control.* A frenzied mob can take a fancy to anything, and there is no knowing the effect on you of mob psychology. There was an instance of mob control last December.

The end of a bear market is also characterized by heavy volumes of sales, not necessarily on the scale of a top-heavy bull market. The public is a bull at heart, and never sells unless it has to, and usually lets go during the various steps and stages that mark a downward market. In other words, public liquidation at the end of a bear market is usually more spasmodic, coming in detached rushes with each big break, and new low level. At the top of a bull market it buys, buys and buys.

(To be continued)

HARRISON H. WHEATON ANALYZES WORLD'S SAVINGS BANK SYSTEM

(*Continued from page* 748)

According to those figures the 140 savings banks in the Empire State, with total assets of $2,730,187,369.59, have mortgage holdings amounting to $1,298,804,006.39, or 47.567%, while the 80 savings banks of Connecticut, with total assets of $419,257,369.89, have mortgage holdings amounting to $156,925,987.52, or a ratio of 47%. Third on the list is Massachusetts, whose 196 savings banks have $1,215,244,815.02 total assets, of which $536,194,046.19, or 44%, is invested in mortgage loans.

Other states with number of banks, total assets of each, mortgage holdings and ratio to total assets follow: New Jersey, 27 banks, total assets $195,530,688.79, mortgage holdings $74,297,302.60, ratio 38%; New Hampshire, 56 banks, total assets $142,971,298.45, mortgage holdings $43,928,013.95, ratio 31%; Delaware, 2 banks, total assets $20,360,833.95, mortgage holdings $5,122,379.92, ratio 25%; Rhode Island, 15 banks, total assets $121,540,154.38, mortgage holdings, $24,757,766.79, ratio

20%; Maryland, 17 banks, total assets $131,027,712.68, mortgage holdings $20,313,136.66, ratio 15.2%; Maine, 44 banks, total assets $107,463,361.59, mortgage holdings $14,526,977.84, ratio 13%; Pennsylvania, 10 banks, total assets $314,256,637.46, mortgage holdings $30,990,117.98, ratio 10%.

Germany Has Greatest Number of Money Savers

"What about the American savers as compared with other countries?" was the next query.

"Germany leads the world in point of numbers of savers in any one country. Forty per cent of the Germans have savings in public or corporate savings banks. Japan stands second with more than 25,000,000 depositors in postal and private savings banks. Great Britain is third with 17,000,000 of the population savers in trustee and postal savings banks. Russia is fourth in the volume of depositors, there being 12,488,000 savers, representing nearly 7% of the total population of the country. The United States, however, which stands fifth in the volume of savings depositors, leads the world in the average deposit account, with the possible exception of Tunis.

"The average deposit account in the mutual and stock savings banks in the United States is $571.99 and the average deposit per inhabitant $61.85. In 23 foreign countries reporting with a combined population of 933,280,000, the average deposit account in savings banks is $122.34, and the average deposit per inhabitant $17.60.

Americans Possess One-Quarter of World's Savings

"If all the money in the mutual, stock and postal savings banks in the world were equally distributed among the inhabitants of the globe, every man, woman and child would have $13.58. According to the figures compiled, the small savers of the world, 146,277,394 in number, have on deposit $23,123,285,677, a sum greater than the combined wealth of Germany, Austria, Hungary, Turkey and Bulgaria. The average deposit account the world over is $158.08 and the average deposit per inhabitant, based on the world population figure of 1,702,520,366, is $13.58.

"Of the total amount of world savings, inhabitants of the United States possess more than one-quarter. **In this country, aside from deposits in postal savings, there are 11,427,556 depositors in usual and stock savings banks with total deposits of $6,535,470,000 or 2 per cent of the wealth of the country. This marks a gain of approximately $634,000,000 in mutual and stock savings banks in 1920."**

BUYING POWER OF STERLING

A calculation published in London of the actual purchasing power of the pound sterling in foreign markets, based on the rates of exchange prevalent at the end of 1920, reckons that the pound possessed in New York a purchasing value of 14s 6 d; in Montreal, 16s 10d; in Holland, 18s 8d; in Japan, 15s 4d; in India, 18s 2d; in France, £2 7s 4d; in Italy, £4 6d; in Denmark, £1 5s 5d; in Germany, £12 12s 8d; in Austria, £63 9s 9d, and in Poland, £110 4s.

Intimate Talks with Subscribers to The Investment and Business Service

In response to numerous requests from our subscribers, we are presenting herewith some suggestions which will show how our Investment and Business Service can best be utilized. It is quite necessary that subscribers understand the basic principles of our methods, and we therefore reprinted in the last issue of The Magazine of Wall Street an address by Richard D. Wyckoff at the Finance Forum, New York City, a few years ago. The information therein contained, combined with the following, will undoubtedly aid subscribers. This is not only advantageous to traders, but to investors to whom a thorough understanding of the action of the market is necessary if they would secure the best results.

The new arrangement of our Investment and Business Service is the outgrowth of the former Investment Letter and the Trend Letter which preceded it. The new Service combines many of the former features, together with a number which are new.

The page devoted to the Position of the Stock Market has proven to be of very great interest to those who have followed our opinions and advices for many years past, but as there are many new subscribers to our Service, it is necessary that they have a clear idea as to the methods on which our judgment is based; how our analysis is made up, and the ways in which the advices may be utilized in order to realize the greatest profit.

METHODS OF JUDGING THE MARKET

The principal methods employed in judging the future course of the stock market are as follows:

1. By the use of fundamental statistics, such as money, crops, foreign trade, etc.
2. By a study of intrinsic values, earning power, financial position of various corporations.
3. By a study of the movements of the stock market which are the result of supply and demand.

The most successful operators are those who follow the latter course. This includes professional traders on the floor of the New York Stock Exchange and others who are known as good judges of the market. These operators pay less attention to the news than to the action of the market itself, although they watch the news in order to ascertain its effect upon the market. Strength or weakness in what is known as the technical position is observed by this means.

TRADING CAPITAL

Those who desire to trade should set aside a certain amount for trading operations. Our suggestion is that only a small part of one's capital be employed in this field—say from 10% to 30%—unless the subscriber is an experienced operator. By this we mean those who have had many years of successful experience in trading. It does not include those who have had one or two years. Success in trading is only attained after a person has been through at least one complete market cycle, including panic, depression, bull market, climax, and bear market. If an operator can make money in the majority of these markets, he may be regarded as experienced.

DISTRIBUTING AND LIMITING RISK

In trading, the risk can be distributed in a manner similar to that employed by investors; namely, the use of only a small amount of one's trading capital in each venture. For example, if a trader has $10,000 which he can devote to this purpose, he should not risk more than about 5% in any one commitment. This would necessitate his limiting his risk by the use of stop orders so that in no case can he lose more than from three to five points on a transaction. A stop order should be placed as soon as the original purchase or sale is made. Its operations and advantages are fully described in the book, "Studies in Tape Reading," but, briefly, it is an order which is executed at the market price as soon as a certain figure is reached, and it is used in order to prevent an unprofitable transaction from running into a big loss.

Stop orders are a form of insurance, and those who employ them are among the most intelligent class of traders, as well as the most successful. E. H. Harriman said, "If you want to make money in stocks, kill your losses!" He advocated stops at only one point; but at that time the market did not have such wide swings, and, besides, he was originally a floor trader.

Many people object to the use of stop orders because these are frequently caught, but if one will examine the large losses which have occurred, he will readily see that the use of stop orders would in every case have prevented such losses.

Stop orders have another purpose; namely, if they are caught they indicate that your original judgment was wrong. Once a stock moves in the expected direction, it should not decline three points or more without indicating a probable reversal in its trend. Stocks which have wide swings, like Mexican Petroleum, Crucible and others, should be protected by 5 point stop orders.

JUDGING THE MARKET

Our analysis of the position of the stock market is based on the technical position on the day the Service is issued.

Our reason for judging the market on this basis is that experience has proven that it is the most accurate way of forecasting not only the course of the general market, but of the securities making up the principal groups. This department divides the stock market into groups representing the principal industries, such as railroad, steel, oil, railroad equipment, motor, tobacco, food, leather, machinery, public utility, textile, mining and smelting, sugar, and others.

It contains, first, a brief survey of the principal indications given by the action of the market during the past week; then an analysis showing the strong, weak and doubtful groups, and an indication as to which stocks in each of these groups are in a strong, weak or doubtful position.

As each important move in a speculative stock consists of three stages; namely, (1) accumulation, (2) marking up and (3) distribution; or, in the case of a downward move, (1) distribution, (2) marking down and (3) short covering or reaccumulation, and as large operators conduct their campaigns on this basis, it follows that the comparatively small operator or investor should be more successful if he pursues the same method.

HOW TO USE THESE ADVICES IN TRADING

The majority of movements in stocks are the result of manipulation.

Manipulation usually has one of three objects: (1) to induce the public to sell, (2) to encourage the public to buy, or (3) to produce a condition of inactivity so that the public will do nothing.

Our object is to study the action of the general market, the various groups and the individual stocks making up the principal groups, in order that we may detect the operations and intentions of those who are conducting the manipulation.

Our subscribers should understand that no group or organization stands behind the market and rigs it for the purpose of fooling the public, but in practically every important speculative stock there are groups of individuals, known as pools, who operate in their chosen issues for the purpose of deriving profit from the fluctuations.

POOLS AND THEIR OPERATIONS

A pool may be formed by two or more individuals who contribute their respective share of the necessary capital for the operation. One or more members of the pool are usually put in charge of the buying and selling, and all share pro rata in the profits and losses.

Frequently there will be more than one pool operating in the same stock. This sometimes produces conflicting movements which are confusing even to those who are operating the pools.

Each well defined stock market movement has three stages. An operation on the bull side would begin with the accumulation. This might require several weeks or months, depending upon the size of the operation and the conditions affecting the market. The second stage is the marking up, in which the influence of the pool is used to advance the quotations to the level where it desires to take profits. The third stage is the distribution in which, if the pool is powerful enough, it holds the price of the stock within a certain range until the selling has been completed.

We endeavor to detect accumulation, marking up, and distribution. It is not an exact science, because many factors enter into the stock market which make its future course doubtful even to those who are conducting the most important pool operations. Neither we, nor anyone else, can be invariably correct, but we aim for a high percentage of accuracy.

PROPORTION OF RISK TO PROFITS

All operations in the stock market involve a certain risk, and those who are most successful limit this risk, as already described, by the use of stop orders. But another vital point is the planning of operations in such a way as to have a large objective profit; that is to say, if a risk of three points is involved, then the prospective profit should be at least nine to ten points or three times the amount of the risk in order to offset losses, commissions, interest, etc., which are part of the operating expenses of trading.

When we indicate that a certain stock is being distributed, it is the equivalent of saying that it should be liquidated or sold short, but this should not be done promiscuously. If its range has been from, say, 70 to 73 within the past several days, it is best to make short sales within this range of distribution and not on a sharp decline below it.

If we indicate that accumulation is taking place in a certain issue, a similar practice should be followed. The stock should not be bought on a bulge, but on a weak spot, somewhere around the lower prices at which it has evidently been accumulated.

USE OF JUDGMENT

A certain amount of judgment will have to be used by the trader in following these advices, because it is impossible for us, in dealing with a large number of securities which are constantly fluctuating, to say that they should be bought or sold at certain definite figures.

It is important that subscribers should learn to trade on both sides of the market. Anyone who either by lack of experience or for other reasons, finds himself unable to sell short, is not properly equipped for trading and should become an investor for income and profit. The short side affords as numerous and profitable operations as the long side, and it should be taken advantage of with equal facility.

After a transaction has once begun, and the stock moves in a favorable direction, the stop orders may be moved to reduce the amount of the risk, or to cover the cost, or to insure a profit. The main object in trading is so to minimize losses, that profits will far outstrip them. By following this plan and letting profits run, a more satisfactory result will be obtained.

A confirmation of the position of the market may be observed by noting the number and importance of the groups which are listed under the headings of strong, weak and doubtful. The position of these groups is very often influenced by the condition and outlook of the industry which the group represents. Certain industries, like steel, railroad, oil, motor, mining and others, have the greatest influence on the general course of the market, and the leadership changes from time to time as factors of more or less importance influence one or more leading issues into activity and prominence. The volume of the transactions in such stocks and their activity, as well as the width of their daily and weekly swings from high to low, are all indicators of leadership.

DIVIDEND ANNOUNCEMENTS

Ann. Rate	Name	Amt. Declared	Paid to Stock of Record	Div. Payable
$4	Air Red, c (no p).	$1 Q	3.31	4.15
$3	Am G & E, p ($50).	75c Q	4.16	5- 3
6%	Amer Ice, p.......	1½%Q	4- 8	4-25
4%	Amer Ice, c........	1 %Q	4- 8	4-25
7%	Am Shipbuilding, p	1¾%Q	4-15	5- 2
7%	Am Shipbuilding, c	1¾%Q	4-15	5- 2
....	Am Shipbldg, c ext	2¼%	4-15	5- 2
7%	Amer Type Fdrs. p	1¾%Q	4- 9	4-15
4%	Amer Type Fdrs, c	1 %Q	4- 9	4-15
12c	Boston Wy Oil ($1).	a3c Q	4- 9	4-25
....	Boston Wy Oil, ext	7c	4- 9	4-25
6%	Canada Cement, c.	1½%Q	3-31	4-15
7%	Canadian Car & F, p	1¾%Q	3-26	4-11
8%	Chic Pneum'c Tool	2 %Q	4-15	4-25
6%	Cities Service, p...	½%M	4-15	5- 1
6%	Cities Service, p B.	½%M	4-15	5- 1
6%	Cities Service, c...	½%M	4-15	5- 1
....	Cities Serv, c ext.	e1¼%	4-15	5- 1
8%	Crucible Steel, c...	2 %Q	4-15	4-30
8%	Detroit Edison ..	2 %Q	3-31	4-15
$1	Dome Mines, Ltd..	25c Q	3-31	4-20
7%	Duquesne Light, p.	1¾%Q	4- 1	5- 2
8%	Elgin Nat Watch..	2 %Q	4-22	5- 2
8%	Famous Pl-Lasky, p	2 %Q	4-15	5- 2
6%	Federal Sug Ref, p	1½%Q	4-22	5- 2
7%	Federal Sug Ref, c	1¾%Q	4-22	5- 2
6%	Firest'e T & R, 6% p	1½%Q	4- 1	4-15
7%	Great North'n Ry, p	1¾%Q	4- 2	5- 2
$8	Indiana P L ($50).	$2 Q	4-23	5-14
5%	Internat'l Agricul, p.	1¼Q	3-31	4-15
7%	Joliet & Chicago RR	1¾%Q	3-23	4- 4
$2	Loew's, Inc (no p).	50c Q	4-16	5- 1
6%	MacAn's & Forbes, p	1½%Q	3-31	4-15
6%	MacAn's & Forbes, c	1½%Q	3-31	4-15
8%	Nova Scotia S & C, p	2 %Q	3-31	4-15
5%	Nova Scotia S & C, c	1¼%Q	3-31	4-15
6%	Otis Elevator, p....	1½%Q	3-31	4-15
8%	Otis Elevator, c....	2 %Q	3-31	4-15
$3	Phila Co, new p...	$1.50 S	4- 1	5- 2
$3	Phila Co, c.........	75c Q	4- 1	4-30
6%	Pittsb'g Coal (Pa), p	1½%Q	4- 8	4-25
5%	Pittsb'g Coal (Pa), c	1¼%Q	4- 8	4-25
12%	Prairie Oil & Gas.	3 %Q	3-31	4-30
....	Prairie Oil & G, ext	3 %	3-31	4-30
12%	Prairie Pipe Line..	3 %Q	3-31	4-30
7%	Shaffer Oil & R, p	1¾%Q	3-31	4-25
12%	United Cig S of A, c	1 %M	4-11	4-25
$3.50	Un Drug, 1st p ($50).	87½c Q	4-15	5- 2
$1.50	Un Sh Ma, p ($25).	37½c Q	3-21	4- 5
$2	Un Sh Ma, c ($25).	50c Q	3-21	4- 5
$1	Un Verde Ext Min.	25c Q	4- 5	5- 2
$7	West'h'e A B ($50).	$1.75 Q	3-31	4-30

e Payable in common stock.

DRIVER HARRIS COMPANY

HARRISON, N. J.

Notice of Quarterly Dividends
Preferred Stock Dividend No. 34

The Board of Directors, at a meeting held on March 7, 1921, declared the regular quarterly dividend of one and three-quarters per cent. (1¾%) on the outstanding preferred stock, for the quarter ending March 31, 1921, payable on April 1, 1921, to stockholders of record at the close of business on March 26, 1921. Transfer books will close from March 27, 1921, to April 1, 1921, inclusive. Checks will be mailed.

P. E. REEVES, Treasurer.

PACIFIC GAS AND ELECTRIC CO.
COMMON STOCK DIVIDEND NO. 21.

The regular quarterly dividend of $1.25 per share upon the Common Capital Stock of this Company will be paid on April 15, 1921, to shareholders of record at close of business March 31, 1921. The transfer books will not be closed and checks will be mailed from the office of the company in time to reach stockholders on the date they are payable.

A. F. HOCKENBEAMER,
Vice-President and Treasurer.
San Francisco, California.

INSPIRATION CONSOLIDATED COPPER CO.
NOTICE OF ANNUAL MEETING.

Notice is hereby given that the Annual Meeting of the Stockholders of the Inspiration Consolidated Copper Company will be held at the office of the Company, 242 Water Street, Augusta, Maine, on Monday, the twenty-fifth day of April, 1921, at two o'clock P. M., for the transaction of any and all business that may come before the meeting, including the election of directors.

The transfer books will not be closed, but only those stockholders of record at the close of business (viz., three o'clock P. M.) on Friday, April 8th, 1921, will be entitled to vote at said meeting.

By order of the Board of Directors.
J. W. ALLEN, Secretary.
New York, March 25th, 1921.

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